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ABSTRACT

To help junior and senior high school students develop a better understanding of the United States' economy, this teacher's guide presents a series of learning activities centered around eight general themes. The topics (corresponding to the document's eight chapters) include both international and global economic issues as well as current economic issues: inflation, unemployment, income distribution, labor unions, oil imports, OPEC, governmental income and expenditures, etc. In addition, the final chapter emphasizes the goals that people seek to achieve in our economy. Each chapter includes an "organizer" and learning activities. The "organizer" provides the student with an overview of the major content of the chapter, while learning activities provide a series of tasks that require students to interpret information contained in the database, to draw inferences from the data, and in some cases to gather and use information not presented in the materials (for example, constructing a world map, interviewing resource people, reporting current economic news, and so on). When appropriate, answers to the learning activity questions have been provided. (MP)

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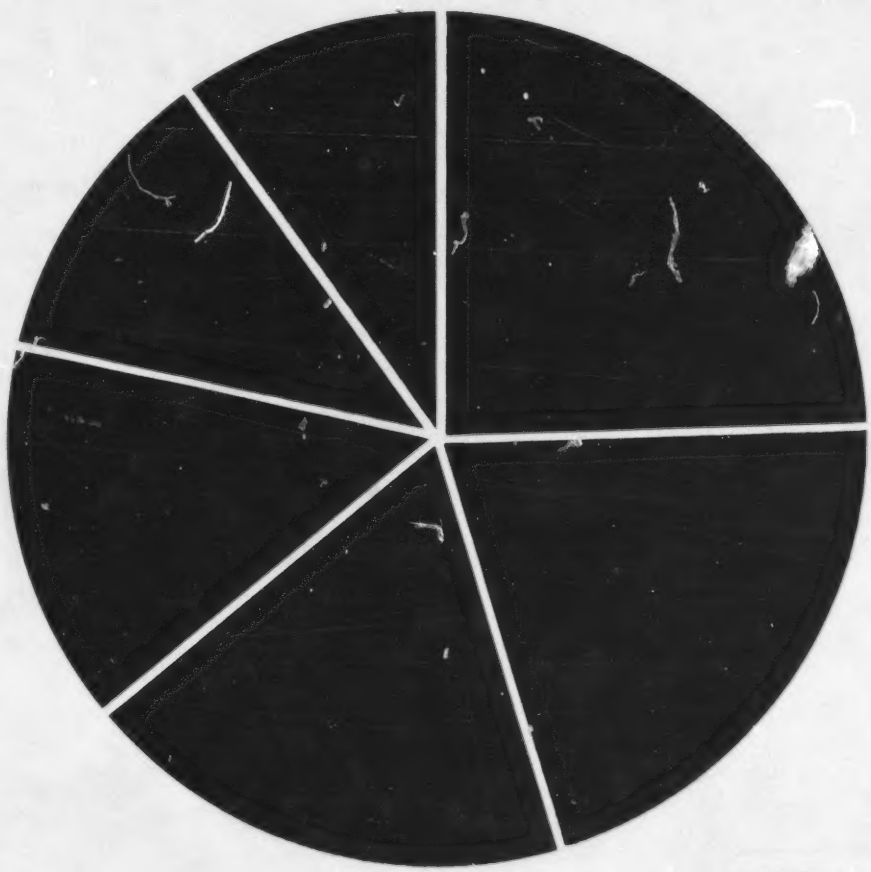
ELMER U. CLAWSON

TEACHER'S EDITION

OUR ECONOMY: How It Works

Activities and Investigations



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OUR ECONOMY: How It Works

Activities and Investigations

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RATIONALE AND OBJECTIVES

RATIONALE

Few would deny the importance of economic literacy. Developing skills that help students function effectively in the system is one goal of such literacy. Comprehending the interrelated nature of the system and how it works is another level of economic understanding.

Students in our junior and senior high schools are active participants in our economic system. Virtually all students are consumers, while others are becoming wage earners for the first time. Many students have savings accounts and others own stocks and bonds. Students at this level are looking to the future and beginning to formulate and refine career plans. *Our Economy: How It Works—Activities and Investigations* was designed to build upon and extend the student's personal experiences and to broaden their exposure to the world community. By building on the student's own experiences and using the economic activities in their local community as a valuable resource and by exploring current economic issues, it is possible to help students develop a deepening understanding of our economic system, the world community, and their role in our economy.

Our country is committed to an economic system that places the major emphasis on individual decision making. In making decisions, students weigh the costs and benefits of the alternatives they are able to identify.

GOALS AND OBJECTIVES

The basic intent of these materials is to help students develop a better understanding of the United States economy. To achieve this broad objective, both cognitive and affective goals are identified. Cognitive goals include the development of an understanding of economic content and the development of thinking skills. Affective goals include examining one's own personal set of values as well as examining broader social values.

The specific goals include:

1. Developing an overview of our economy based on facts, concepts, and generalizations of how people—individually and through institutions—produce, distribute, and consume goods and services.
2. Identifying and applying decision-making skills to economic issues.
3. Develop the ability to use and refine the following skills used by economists: a) Locating, gathering, and evaluating economic data; b) Organizing economic information; c) Communicating ideas (including writing, speaking, and listening); and d) Applying critical thinking skills to economic issues.
4. Developing respect for the contributions that the students and other in-

Figure 1 Outline of Student Textbook

	Content Emphasis
Chapter 1 The United States and World Trade	Why Trade? World Trade: A Two-Way Street The United States Automobile Market • Buy American: Harder to Do in the Automobile Industry • Competition Between U.S. and Foreign Companies in the U.S. Marketplace
Chapter 2 What Americans Earn	What Americans Earn • Income of American Families • Computing Median and Mean • Annual Salaries of Selected Occupations • Career Choices Income Distribution by • Age, Race, Sex, Education • Characteristics of the Poor
Chapter 3 Where the Food Money Goes	Food Processing: From Birth to Burger Who Gets the Food Money in Your Community Food Cost as a Percent of Family Income
Chapter 4 Labor Unions	Frank Merriweather—Coal Miner (UMW) Goals of the Labor Union Community Study
Chapter 5 Energy for Economic Growth	Importing Oil—Outflow of Dollars Sources of Imported Oil OPEC World Energy Consumption Energy Consumption in the U.S. Cutting Petroleum Consumption
Chapter 6 Price Change and Money Management	Measuring Price Changes—CPI Inflation • What Happened to the 5¢ Candy Bar • Causes of Inflation • What to Do About Inflation Managing Money • Budgeting
Chapter 7 Government in the Economy	Federal Income and Expenditures The Mounting Tax Burden The Federal Debt Unemployment
Chapter 8 Our Economic System and Your Part In It	Cultural Diversity in the U.S. Defining Economic Goals Meeting Economic Challenges The Role of the Individual

dividuals make to our economy in a variety of roles as consumer, producer, worker, saver, and citizen.

5. Reflecting on values consistent with our economic system, and developing, clarifying, and acting on personal values related to the functioning of the economy.
6. Identifying skills and interests so that students will be better able to achieve their own personal goals.

DESCRIPTION OF MATERIALS

Our Economy: How It Works—Activities and Investigations uses a series of learning activities centered around eight general themes to develop economic understanding (see Figure 1). The topics include both international and global economic issues as well as current economic issues—inflation, unemployment, income distribution, labor unions, oil imports, OPEC, governmental income and expenditures, etc. In addition, the final chapter emphasizes the goals that people seek to achieve in our economy.

Each chapter includes an organizer and learning activities.

1. *The Organizer.* The organizer is designed to provide the student with an overview of the major content of the chapter. Teachers are encouraged to read and discuss each organizer with the students before moving into the learning activity.
2. *The Learning Activities.* The activities were constructed using a modified Forced Inferential Response Mode (FIRM)*. The activities provide a series of activities and tasks that require students to interpret information contained in the data base; other responses require students to draw inferences from the data. Some questions require students to state opinions and are thus open ended, so that the student responses will be divergent. This type of question explores value positions of the respondents. In some cases, students are asked to gather and use information not presented in the materials, i.e., world map, interview with resource people, guest speakers, current news reports, and personal experiences that the students are likely to have had from being participants in the economic system.

SUGGESTED WAYS TO USE THE MATERIALS

This book may serve as a companion to *Our Economy: How It Works* (Addison-Wesley), or it may be used independently as a unit in economics to supplement other social studies courses. The content was chosen to expand and extend rather than to reinforce the content in *Our Economy*. Although the material can be used in a one-to-one correspondence by chapter, each chapter in *Activities and Investigations* can also stand alone. Thus, you may elect to use the materials in a variety of ways. For example, you may want to select chapters in *Our Economy* and use all the activities in this book, or use only part of the activities in this book and all the chapters in *Our Economy*.

If you are teaching a United States history course, you may elect to use Chapter 1, "Why Trade"; Chapter 2, "What Americans Earn"; Chapter 4, "Labor Unions"; Chapter 5, "Energy for Economic Growth"; Chapter 6, "Price Changes and Money Management"; Chapter 7, "Government in the Economy" (Income and Expenditure and Unemployment); and Chapter 8, "Our Economic System and Your Part in It." In a government course, you may elect to use Chapter 1, "Why Trade"; Chapter 6, "Price Changes and Money Management"; Chapter 7, "Government in the Economy"; and Chapter 8, "Our Economic System and Your Part in It."

Figure 2 illustrates how the various chapters may be used. You are encouraged to use your own judgment regarding which units would be most suitable for your students.

*Marion J. Rice and John R. Dale, Geography Curriculum Project, University of Georgia

Figure 2 Suggested Patterns For Integrating of Materials Into Courses

	Why Trade?	What Americans Earn	Where the Food Money Goes	Labor Unions	Energy for Economic Growth	Price Changes and Money Management	Government in the Economy	Our Economic System And Your Part In It
Economics	●	●	●	●	●	●	●	●
Civics	○	●		○	●	●	●	●
Government	○	●		○	●	●	●	●
U.S. History	●	●		●	●	●	●	●
Geography	●		○		○			
Home Economics	○	●	●	○	○	●	●	●
Career Education		●	○	●	○	●	○	●

● Very Useful

○ Of Some Use

STUDENT-PARENT ACTIVITY

In addition to expanding and extending the economic content in your current class, the format of these materials makes it possible to use them to examine the economic activities in your community, state, and nation. The suggested topics—world trade, inflation, OPEC, labor unions, unemployment, what Americans earn, where the food money goes, etc., are of sufficient interest to both students and parents that you may want to encourage student-parent participation. If you decide to do this, you will probably want to send a letter home.

Introduction

We are a people of different cultural backgrounds and experiences. People of Armenian, Chinese, English, Greek, Irish, Japanese, Kenyan, Korean, Mexican, and American Indian heritage work together with many other groups to make our country what it is.

The United States economy was built on individual participation and decision making. The challenges of the future will require you to participate and make decisions, just as the challenges of the past required our ancestors to participate in the economy.

As a member of our economic system, you will make choices that have important consequences to you. The combined choices of the young people in your generation will influence our economic system and our country.

The activities in this book are designed to help you develop a better understanding of our economy.

The United States and World Trade

CHAPTER 1

ORGANIZER

Every society must find ways of producing goods and services and ways of dividing what it produces among the members of the society. Economics is the study of how people produce, distribute, and consume goods and services. The major economic problem is that there is never enough of everything to satisfy all our wants.

We make many economic decisions each day. The decision to spend or save money is one type of economic decision. Will we choose to spend some or all of our money? How much, if any, of our current income will be saved? Deciding what to buy is another economic decision.

Business men and women also make many economic decisions. When they decide what goods or services to produce, how the goods are to be produced, whether to hire another employee or buy a new piece of equipment, they are making economic decisions.

People in government, too, make economic decisions. Should a new school be built, or should the money be used to improve streets? Should taxes be raised or lowered? These and many more decisions are important economic decisions that our elected representatives must make.

In an economic system, decisions made by one group affect others in the system. Decision-making is a very important part of our economic system. It is important that you understand how the economic system works and the role you play in it, so that you can make better economic decisions.

Just looking around provides many examples of the fact that our economy is influenced by other countries. The people in the United States do not live in isolation. The terms "spaceship earth" or "global village" are sometimes used to describe our world. In a global sense we share a common homeland with all the peoples on the earth. Goods produced in our country are sold around the world. In our stores we find many products produced in other countries.

The activities that follow provide examples of how the United States interacts with other nations.

ACTIVITY 1: Why Trade?

Trade with other nations is an important part of the United States economy. Why is it that nations trade with one another? One reason is obvious—to get something you don't have. Take coffee, for example. The people in the United States have acquired a taste for coffee, but coffee is not produced in this country. To get the coffee, we buy it from other countries like Columbia or Brazil—countries that produce coffee. In this case these countries have an advantage over us, known as an *absolute advantage.*

Task 1: Comparative Advantage

Getting something you want but don't have isn't the only reason for trading with other countries. A country can benefit from specializing in producing things it can do best, then trading with other countries to get things that it could possibly do, but doesn't do as well. This works even when one country may be able to produce both things more efficiently than another country.

This is the case for an exchange between people as well as an exchange between nations. For example, take two construction workers, Maria and John; Maria can install all the tile in a house in 40 hours. The same job takes John 60 hours. Maria can paint the cabinets and doors in 45 hours. John needs 50 hours to paint them.

1. Who is faster at putting in the tile, John or Maria? (Maria)

2. Who paints faster, John or Maria? (Maria)

3. Would it be to Maria's advantage to join with John and work on two houses, or would she be better off working alone on one house? What about John? He could work with Maria with each doing what he or she does best (comparatively), or he could work on his own. Before answering the question, let's see how it works. Complete the following two examples:

   Example A: Working Alone

	Maria's Time	John's Time
Putting in the tile	(40) hours	(45) hours
Painting the cabinets and doors	(45) hours	(50) hours
Total Hours	(85)	(95)

Example B: Working Together

Maria: Puts the tile in two houses: $2 \times \underline{(40)}$ hours = $\underline{(80)}$ hours.

John: Paints the cabinets and doors in two houses: $2 \times \underline{(50)}$ hours = $\underline{(100)}$ hours.

Comparing the total time needed to complete the work, in the examples above, both Maria and John were better off by working together. This is true even though Maria is faster at both putting in the tile and painting the doors and cabinets. Both gained from specializing in the job they can do best, compared to the other job they could do. In economics, this type of specialization is called *comparative advantage*.

The advantage of specialization—comparative advantage—works for nations, too. In international trade, trees cut in the United States may be shipped to Japan. In Japan, the trees are made into plywood using machines made in Canada, and the finished plywood is shipped to Kenya in Africa. Even though it is more complex, the principle of comparative advantage that works for Maria and John works for nations.

In the above examples, you have seen that countries trade:

(1) to get something they don't have, and

(2) because it is to their advantage to specialize in some areas and to trade with other countries.

There are other reasons why countries trade or do not trade. Look at Figure 1-1. In 1979, the United States sold (exported) over $3.6 billion worth of products to the Soviet Union. In 1980, this

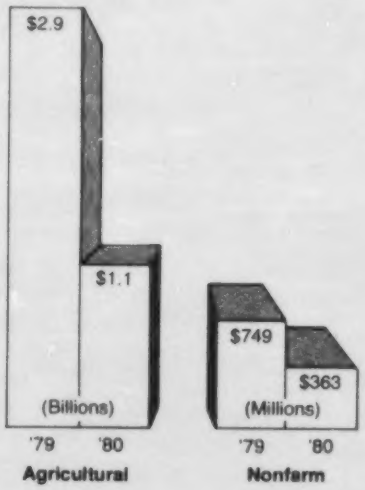


Figure 1-1 U.S. Exports to the Soviet Union: 1979 and 1980

amount dropped to slightly over $1.4 billion. Why the drop of $2.2 billion in one year? The decision to stop selling some products to the Soviet Union was made when Russian troops invaded Afghanistan in early 1980.

In the early and middle 1970s, the United States and Iran were major trading partners. When the government of the Shah of Iran was overthrown, the political relations between the United States and Iran became troubled. When the Iranians took the employees of the American Embassy hostage in November of 1979, trade between the two nations was severely cut back.*

4. After reading the above, write a one-sentence statement describing a third reason why countries trade or do not trade with one another.

(Sometimes countries trade with friendly countries and do not trade with unfriendly countries: During the late 1970s, trade was encouraged between the United States and China as we tried to normalize trade with that country.)

EXTRA CREDIT: Can you give some examples to support your statement?

ACTIVITY 2: World Trade—A Two-Way Street

The United States trades with many different countries. What are the major products we buy and sell? Who are our major trading partners?

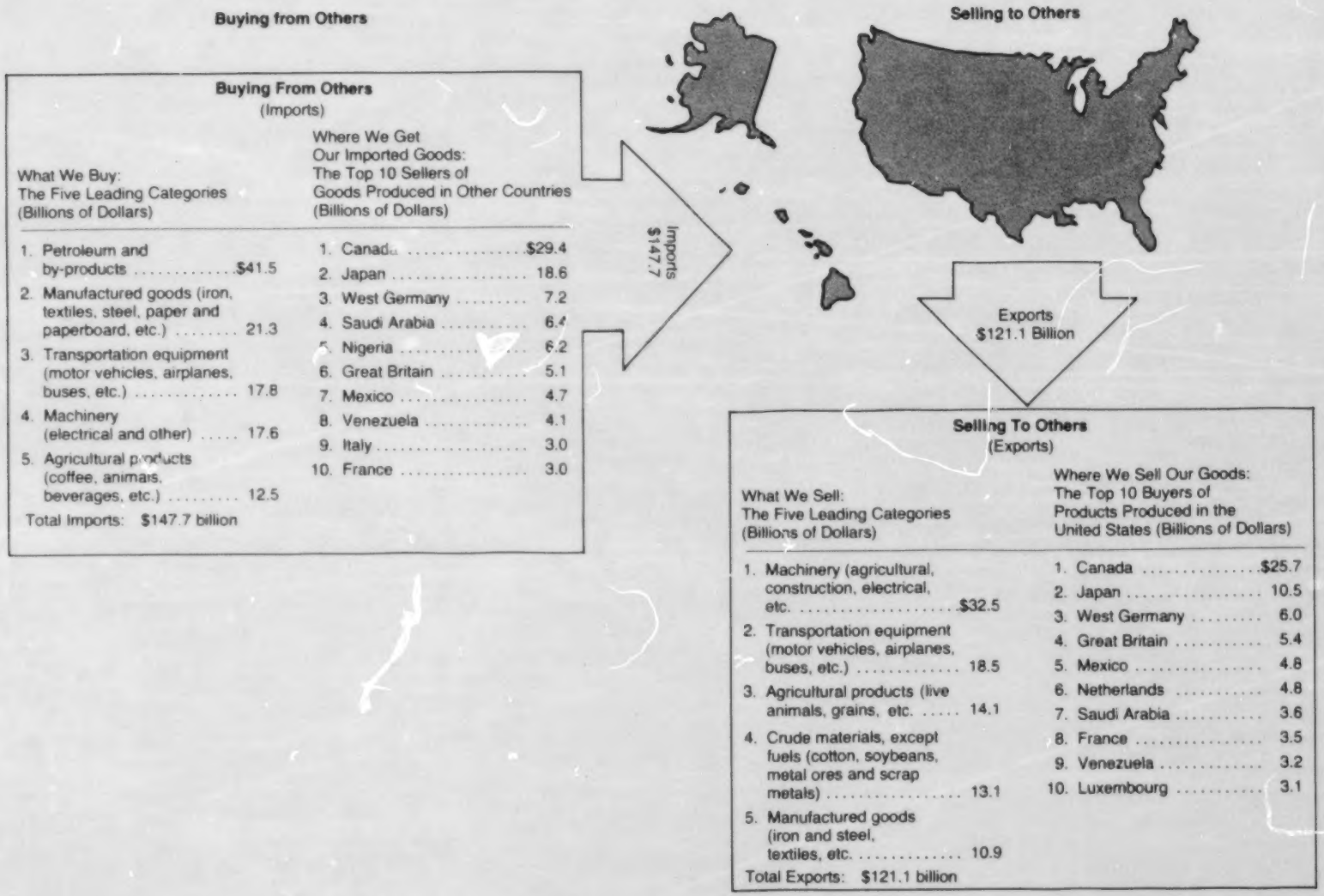
Task 1: Finding Evidence of World Trade in Your Community

Using magazines, newspapers, or the products themselves, make a list of five goods that are used in your community that were produced in other countries and sold in the United States. If possible, list the country where the product was made.

Product (Brand name, if possible)	Country Where Produced
1.	1.
2.	2.
3.	3.
4.	4.
5.	5.

(Encourage students to list a minimum of five products. Likely products include television sets, cars, watches, clothes, pianos, motorcycles, and calculators. Likely brand names include Sony, Honda, Datsun, Toyota, Volkswagen, Suzuki, and Yamaha. Likely countries include Japan, England, West Germany, Mexico, Saudi Arabia, and Canada.)

*In January of 1981 the final 52 hostages were returned to the United States.



Buying From Others
(Imports)

What We Buy: The Five Leading Categories (Billions of Dollars)		Where We Get Our Imported Goods: The Top 10 Sellers of Goods Produced in Other Countries (Billions of Dollars)	
1. Petroleum and by-products	$41.5	1. Canada	$29.4
2. Manufactured goods (iron, textiles, steel, paper and paperboard, etc.)	21.3	2. Japan	18.6
3. Transportation equipment (motor vehicles, airplanes, buses, etc.)	17.8	3. West Germany	7.2
4. Machinery (electrical and other)	17.6	4. Saudi Arabia	6.4
5. Agricultural products (coffee, animals, beverages, etc.)	12.5	5. Nigeria	6.2
		6. Great Britain	5.1
		7. Mexico	4.7
		8. Venezuela	4.1
		9. Italy	3.0
		10. France	3.0

Total Imports: $147.7 billion

Selling To Others
(Exports)

What We Sell: The Five Leading Categories (Billions of Dollars)		Where We Sell Our Goods: The Top 10 Buyers of Products Produced in the United States (Billions of Dollars)	
1. Machinery (agricultural, construction, electrical, etc.	$32.5	1. Canada	$25.7
2. Transportation equipment (motor vehicles, airplanes, buses, etc.)	18.5	2. Japan	10.5
3. Agricultural products (live animals, grains, etc.	14.1	3. West Germany	6.0
4. Crude materials, except fuels (cotton, soybeans, metal ores and scrap metals)	13.1	4. Great Britain	5.4
5. Manufactured goods (iron and steel, textiles, etc.	10.9	5. Mexico	4.8
		6. Netherlands	4.8
		7. Saudi Arabia	3.6
		8. France	3.5
		9. Venezuela	3.2
		10. Luxembourg	3.1

Total Exports: $121.1 billion

Figure 1-2 Imports and Exports 1977

Task 2: Major U.S. Trading Partners

Figure 1-2 lists the 10 major United States trading partners in 1977. Using the list, answer the following questions:

1. What was the total value of goods we purchased (imported) from Canada?

   ($29.4 billion) From Mexico? ($4.7 billion)

2. What was the total value of goods produced in the U.S. and sold (exported) to Canada? ($25.7 billion) Japan?

   ($10.5 billion)

3. Look at the figures for Saudi Arabia. The United States bought (imported) (6.4) billion dollars worth of products. From listening to news reports or other resources, can you explain why Saudi Arabia is so high on the list of countries we buy goods from?

   (Saudi Arabia is a major oil-producing country, and the United States imported oil from Saudi Arabia.)

4. In Task 1 on page 4, you were asked to list five products or services and the country where the products were produced. How many of the countries that you listed also appeared on the list of the 10 major United States trading partners? (Depends on what countries are listed in Task 1.)

5. From listening to the news or reading other sources, what country or countries do you think will move into the top 10 trading partners in the future? Why do you think the list will change?

   (China, because of its large population, may become a much larger market for United States products. Another possibility would be Russia if relationships between the two countries improve. Students may have other ideas, such as Brazil. Discuss their reasons for making their choices.)

6. Using a world map and looking at the list of the top 10 buyers of United States products, which ones are:

Western European countries?

(West Germany)

(Great Britain)

(Netherlands)

(France)

(Luxembourg)

Asian country

(Japan)

Latin American countries?

(Venezuela)

(Mexico)

Middle Eastern country?

(Saudi Arabia)

North American country?

(Canada)

7. Using a world map and looking at the list of the 10 top sellers of products to the United States, which ones are:

Western European cou tries?

(West Germany)

(Great Britain)

(Italy)

(France)

Asian country?

(Japan)

Latin American countries?

(Venezuela) (Mexico)

African country?

(Nigeria)

Middle Eastern country?

(Saudi Arabia)

North American country?

(Canada)

8. In Task 1 you were asked to list five products or services that are produced in other countries and sold in the United States. How many of the products that you listed also appear on the list of the 10 leading goods we buy from other countries (imports)?

(Depends on the products they listed in Task 1. They will need to convert specific products, e.g., a Sony television set to manufactured goods, a Toyota car or truck to transportation equipment, etc.)

9. Pick one of the countries on the list of countries where businesses in the United States sell their products. Based on the list of exports and outside resources, what United States products would you expect to find in that country? (List brand names where possible.) Try to list at least 10 different products.

Country: _____

Products: (There are many possible answers: farm equipment, construction equipment, electrical equipment, airplanes, shoes, agricultural products: Try to encourage students to list as many as possible.)

10. Check with your local Chamber of Commerce or other resources and list major goods or services produced in your community and state.

Your community:	Your state:
(1) (Answers depend on your own community and state.)	(1) _____
(2) _____	(2) _____
(3) _____	(3) _____
(4) _____	(4) _____
(5) _____	(5) _____

11. If you were to move to France, would you expect to find products produced in your community and state sold there? If so, what products?

(Answers depend on products produced in your community and state.)

12. If you moved to another state, across the country, what products might you find that are produced in the community and state where you now live?

(Answers depend on products produced in your community and state.)

ACTIVITY 3: The United States Automobile Market

The big United States automobile companies are familiar to most of us—Ford, General Motors, Chrysler, and American Motors. Not quite so common is the Japanese company, Nissan Motor Company. We do, however, recognize Datsun cars and trucks which are built by Nissan. We also recognize Honda, Toyota, Volkswagen, and Fiat. What do they have in common? They are built by foreign-owned companies and sold in the United States. Figure 1-3 shows how the U.S. market for cars changed between 1976 and 1980.

Task 1: Imported Cars in the U.S.

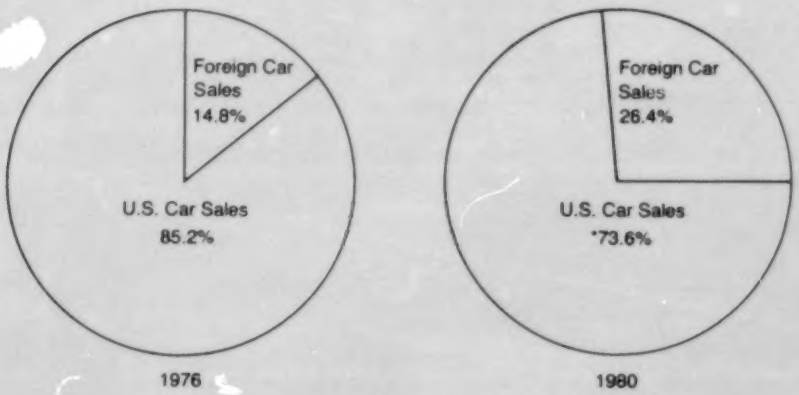
Look at Figure 1-3 and answer the following questions:

1. What percent of cars sold in the United States were imported in 1976? (14.8%)

2. What percent of cars sold in the United States were imported in 1980? (26.4%)

3. Most American workers who work in the United States automobile industry are members of the United Auto Workers Union. How do you think the members of the union felt about the fact that more and more cars were being imported to the United States between 1976 and 1980?

(Union members were concerned about job security.)



*This figure includes 132,822 cars built in Volkswagen's assembly plant in Pennsylvania.
Source: *U.S. News and World Report*, June 9, 1980.

Figure 1-3 United States Automobile Market: 1976 and 1980

4. How do you think the management of the automobile companies felt about the fact that foreign manufacturers were capturing a greater share of the market between 1976 and 1980?

(Manufacturers were concerned because their sales were decreasing.)

5. Why do you think people continued to buy foreign cars between 1976 and 1980?

(1) Foreign car manufacturers moved into the smaller, more fuel-efficient car market.

(2) People felt that foreign cars were of a high quality.

6. From listening to television, reading magazine advertisements, and talking with others, what have American automobile companies been doing to try to compete with producers of foreign cars?

(United States automobile manufacturers are more competitive now in producing more fuel-efficient smaller cars; they are trying to get government to limit imports to protect U.S. auto industry (during 1981 the United States got Japan to agree to cut back and sell fewer cars in the United States); United States companies have been buying into foreign car companies; foreign car companies have been buying into United States automobile companies; and advertising campaigns encouraging United States consumers to "Buy American.") Encourage students to list other possible answers.

Task 2: Buy American: Harder to Do in Automobile Industry

A Dodge dealer in Mount Kisco, New York, placed this bumper sticker on its cars.

> THIS VEHICLE BUILT IN AMERICA BY AMERICANS FOR AMERICANS

The United Auto Workers Union (UAW) is advertising in newspapers and on the radio for Americans to buy American cars.

In late 1980, some 12 states had adopted regulations requiring the state governments to do just that.

1. Why do you think the Dodge dealer and United Auto Workers Union are trying to encourage consumers to buy American cars?

(For the Dodge dealer, appealing to the United States buyer to "Buy American" may increase his sales of Dodge cars. The United Auto Workers Union leadership and membership are concerned about protecting jobs of American auto workers.)

Buying American sounds rather simple, but let's look closer. Dodge Omni, despite the bumper sticker, is one example of the problem. Almost 15 percent of the Dodge Omni is made in other countries. The French car company, Renault, purchased 22.5 percent interest in American Motors in 1980. The American-built Corvette contains a transmission from France and door hinges built in West Germany. The Ford Motor Company owns 25 percent of Japan's Toyo Kogyo, producers of Mazdas. General Motors owns 34 percent of Japan's Isuzu Motors.

The 1981 Ford Escort was advertised as the World Car. It is assembled in three countries—Britain, West Germany, and the United States. Look at Figure 1-4. In 1981, the American version of the Ford Escort had parts made in nine foreign countries.

There is a big turn around from only a short time ago when almost all American cars were built using parts manufactured in

Nine countries supply parts for Ford's new fuel-efficient Escort.

Japan	Manual transaxles
Spain	Shock absorber struts
Brazil	Rear brake assembly
Britain	Steering gears
Italy	Engine cylinder heads
France	Hub and bearing clutch assembly
Mexico	Door lift assembly
Taiwan	Wiring
West Germany	Valve-guiding bushing

Source: " 'Buy American' Hard to Do", San Francisco Chronicle, November 19, 1980.

Figure 1-4 The Ford Escort

the United States. But it is not a one-way street. United States-manufactured automobiles are sold around the world. Parts manufactured by American companies are used in cars produced in other countries.

2. Look at Figure 1-2 on page 5.

   a. What was the dollar value of transportation equipment

   imported ? ($17.8 billion)

   exported? ($18.5 billion)

   b. If we cut down on imports of transportation equipment from other countries, what might those countries do in return?

(Attempts to cut imports from other countries might cause them to retaliate and cut their imports of transportation equipment from the United States. Since we sold more transportation equipment than we imported in 1977, we may stand to lose more than would be gained by cutting imports.)

   c. If we cut back on imports of foreign cars, how would U.S. consumers be affected?

(Restricting imports of cars may mean that consumers would face higher prices because of decreased competition and less choice in the marketplace.)

"Buying American" is also complicated by the fact that foreign-owned companies are building assembly plants in the United States. Volkswagen, a German company, built an assembly plant in Pennsylvania. Nissan Motor Company, the builder of Datsun cars and trucks, is planning to build an assembly plant in Tennessee.

3. The automobile companies are not the only multi-national companies that do business around the world. Can you guess what the following companies have in common? Nestle, Volvo, Pepsodent, Shell, Sony, Lipton, Baskin-Robbins.

(All of these are foreign-owned companies.)

4. Find at least one label, "Made In _____," and describe the item and list the country and continent where the product was produced.

(Answer depends on what students are able to find.)

Task 3: Competition Between U.S. Companies and Foreign-Owned Companies in the U.S. Marketplace

5. Following are seven products. Using a magazine, list at least one American company and one foreign company that sells their products or other resources in the United States. List the name of the foreign company and the country where the product was produced.

Product	Name of U.S. Company	Foreign Company and Country
Jogging or tennis shoes	Etonic, Converse, New Balance	Nike (Japan), Puma (Yugoslavia), Adidas (West Germany)
Television sets	RCA, Zenith	Panasonic (Japan), Sony (Japan)
Computers	Hewlett-Packard, IBM, Apple, Radio Shack	MCI (Japan)
Radios	Zenith, RCA	Sony (Japan), Panasonic (Japan)
Cameras	Kodak	Leica (West Germany), Nikon (Japan), Canon (Japan)
Motor cycles	Harley-Davidson	(Honda (Japan), Yamaha (Japan), Suzuki (Japan), BMW (West Germany)

What Americans Earn

CHAPTER 2

ORGANIZER

An important goal of an economic system is to satisfy the wants of the people. In part, this is accomplished through the production of goods and services that are necessary to meet peoples' basic needs and to improve the standard of living. Clothing satisfies one of our basic needs. In our economy, the demand for clothing goes beyond meeting basic needs to satisfying wants and desires. Businesses spend large amounts of money in advertising to influence consumer demand for their clothing products.

It is obvious that people cannot have everything they want. A person's income plays an important part in determining what he or she can buy. We also know that all people do not earn the same income in our economy. However, all people have the right to expect an equal opportunity to reach their income potential. Have we reached this goal of equal opportunity for all our citizens? The activities which follow will help you develop a better understanding of the income level of Americans.

ACTIVITY 1: Incomes of Americans

Businesses in our country produce many goods and services. Who gets the things that are produced? In our economy, a person's ability to buy things is largely determined by income. Table 2–1 shows how incomes were distributed in 1980.

TABLE 2-1 Incomes of American Families: 1980

Income	Percent of Families
$50,000 and over	6.7
35,000–49,999	12.8
25,000–34,999	19.8
20,000–24,999	13.7
15,000–19,999	14.0
10,000–14,999	14.2
5,000 – 9,999	12.7
4,999 and under	6.2
U.S. Median Family Income in 1980—$21,023	
Total Number of Families: 60,309,000	

Source: *Consumer Income*, Series P-60, No. 127 U.S. Department of Commerce, Bureau of the Census.

Task 1: Average Income of American Families

Using the information in Table 2-1, answer the following questions:

1. What percentage of families earned $9,999 or less in 1980? (18.9%)

2. What percentage of families earned between $25,000 and $49,999 in 1980? (32.6%)

3. From your own personal experiences, list several possible reasons why some people earn less than $9,999 and some earn more than $25,000?

   a. Some possible reasons why some families earn less than $9,999. (There are many possible answers to this question, some of which include: lack of job training, unskilled or seasonal work; the receiving of a pension by some families (Social Security); women as the head of household; being on welfare, only one member of the family working, newly employed worker, etc.)

b. Some possible reasons why some families earn more than 25,000.

(There are also many possible answers to this question, some of which include: higher level of education, more than one wage earner in family, possession of skills that command higher salaries.)

Task 2: Incomes in the Headlines

Check the incomes in the headlines shown in Figure 2-1.

1. Which person(s) in the headlines can you identify?

(Peter Frampton—singer; Chris Evert Lloyd—tennis player; Muhammad Ali—former heavyweight champion of the world; Marlon Brando—actor; Linda Ronstadt—singer; Reggie Jackson—baseball player; Dr. Julius Irving—basketball player; Johnny Carson—television personality; Alex Haley—author of the book *Roots*; Henry Ford II—former president of Ford Motor Company.)

FRAMPTON COMES ALIVE' $6,400,000

BRANDO RECEIVES $2.5 MILLION FOR ROLE IN MOVIE

ROOTS MAKES HALEY $5 MILLION

EVERT TOPS $300,000 MARK

RONSTADT CONCERT EARNS $800,000

ALI LOSES, GETS $7 MILLION

AVERAGE WOMAN TEACHER'S SALARY IN 1977: $11,732

AVERAGE MALE TEACHER'S SALARY IN 1977: $15,075

REGGIE SIGNS FOR $2,900,000

HENRY FORD II'S INCOME IN 1977 WAS $992,400.

NYC GARBAGE COLLECTORS GET RAISE: $17,000 PER YEAR

CARSON'S CONTRACT: $3 MILLION—3 DAY WORKWEEK

"Keep shooting! Wilt the Stilt has signed for a million eight!"

Drawing by Donald Reilly: ©1973 The New Yorker Magazine, Inc.

Figure 2-1

2. Using outside resources, identify the other individuals named in the headlines and describe how they earned their income.

3. Which headline is the most surprising to you? Why?

(Possible responses would be high salaries of entertainers and athletes as opposed to teachers and garbage collectors, higher salaries for garbage collectors than teachers, higher salaries for male teachers than female teachers, high salary of Ford.)

4. Compare the salaries of the athletes and entertainers in the headliners with the salaries of the teachers and garbage collectors. Using this information, would it be correct to say:

   a. Entertainers earn more than teachers? Explain your answer.

(No. Many entertainers earn low salaries. The entertainers in the headlines are not typical of entertainers in general. The headlines compare average salaries of teachers with salaries of super stars in the entertainment field.)

   b. Athletes earn more than garbage collectors? Explain your answer.

(No, you really cannot tell. Once again, you have the average salaries of garbage collectors in New York City and the salaries of a few super stars. Many athletes play in the minor leagues and far less than major leaguers. The headlines do not compare average athletic salaries with the average garbage collector.)

   c. Why is the information in the headlines misleading?

(Sample answers might include: the average entertainers, athletes, and business people are not represented in this group; teachers and garbage collectors salaries are averages; to make comparisons you would need comparable information.)

Task 3: Denver Nuggets Basketball Team

TABLE 2-2 Estimated Salaries of the Denver Nuggets Basketball Team: 1977-78 Season

David Thompson	$450,000
Dan Issel	250,000
Bobby Jones	225,000
Tom LaGarde	225,000
Ralph Simpson	150,000
Bobby Wilkerson	125,000
Darnell Hillman	125,000
Bo Ellis	100,000
Anthony Roberts	100,000
Mack Calvin	90,000
Robert Smith	30,000
	$1,870,000

Source: Estimated by a sportswriter for the Boulder, Colorado *Daily Camera* during a personal conversation in 1978

Using the information in Table 2-2, answer the following questions:

1. What was the estimated salary of David Thompson?

   $450,000 (His contract for 1980 called for $800,000 per year.)

2. What was the estimated salary of Bo Ellis?

   ($100,000)

3. What do you notice about the salaries of the players on the team?

   (Possible answers include: very high salaries, salaries range from low ($30,000) to high ($450,000).)

4. David Thompson's salary for 1978-79 went up to approximately $800,000. Why do you think he earns so much?

   (Some examples include: David Thompson was a superstar; he was a good attraction and drew fans who pay to see the team play; he had a good agent; the team did not want him to leave the Denver Nuggets to play for another team, etc.)

5. The minimum salary in the National Basketball League during the 1977-78 season was $30,000. This was the salary of Robert Smith. Why do you think he earned the minimum salary?

(Some examples include: Robert Smith was just starting out and was not a proven player, not a superstar, was a substitute and not a starting player.)

6. Looking at the salaries, estimate the average income of the Denver Nugget players:

(Ask students to justify their definition of average: How did they arrive at their estimate of the average salary—arithmetic mean (total salaries ÷ 11) or median (half above a certain salary and half below)?)

Task 4: Mean and Median

In this task you will look at two different ways of measuring incomes—the *mean* and the *median*.

A. *Calculating the Mean Salary.*

1. Calculate the mean salary of the Denver Nuggets by using the following formula:

Sum of the salaries ÷ Number of players = Mean salary

($1,870,000) ÷ 11 (eleven) = ($170,000) (mean salary of Denver Nuggets)

2. Do you think the mean salary is a good figure to use as an average of the Nugget salaries? Why or why not?

(The fact that there are such extreme high and low salaries and so few players causes a problem in using the mean. In this case, four players are considerably above the mean and seven below the mean.)

B. *Calculating the Median Salary.*

The median is the point where half of the salaries are above and half are below. For example, the hourly salaries of five students are:

Student 1	5.00 per hour		Student 4	3.50 per hour
Student 2	4.50 per hour		Student 5	3.50 per hour
Student 3	4.00 per hour	(Median $3.75 per hour)	Student 6	3.25 per hour

Note: As in the example above, the median ($3.75) is not always one of the numbers in the distribution. This happens when there are an even number of items, in this example six. The median is the point where half are above and half below. In this example, the median is half way between the two middle numbers. Thus, three are above and three are below the median.

1. Examine the salaries of the Nuggets. What is the median salary? ($125,000)

2. Do you think that the median salary is a good figure to use as an average of the Nugget salaries? Explain your answer.

(Once again, this question asks the students what they think. In this case, with the extreme range in salaries and so few players, the median salary may be considered to be a better indicator of average than the mean salary.)

C. Mean and/or Median Salaries

Answer the following question using the information in Table 2–3:

TABLE 2-3. Annual Salaries of TPI Department Stores Employees*

President/Owner	$70,000
Manager	30,000
Assistant Manager	20,000
Accountant	17,000
Secretary	10,000
Sales Clerk	8,500
Sales Clerk	8,500
Sales Clerk	8,000
Sales Clerk	7,000
Sales Clerk	7,000
Sales Clerk	6,000
Stock Person	5,000
Stock Person	5,000
Stock Person	4,500
Janitor	3,500
	$210,000

*TPI is a hypothetical department store that is privately owned and managed.

1. What is the mean salary for TPI employees?

($14,000) ($210,000 ÷ 15)

2. What is the median salary for TPI employees?

($8,000)

3. If the management of TPI wanted to argue that the workers did not need a raise, which measure of the average would they probably use—mean or median? Why?

(The management probably would use the mean salary because it is higher.)

4. If the president/owner of TPI decided to give himself a $30,000 raise and all other employee salaries remained the same, what would the new mean salary be?

($16,000) ($240,000 ÷ 15)

What would the median salary be?

($8,000) (The median salary would stay the same.)

5. What are the median and mean salaries for the following groups of employees?

	Mean	*Median*
Sales Clerks	$7,500	$7,500 (½ way between $8,000 and $7,000)
Executives**	$34,250	$25,000 (½ way between $30,000 and $20,000)
Stockpersons	$4,833.33	$5,000

6. List two reasons which might explain why the sales clerks earn different amounts of money.

(Possible answers include seniority, level of responsibility, skill level.)

7. Using the salaries of the Denver Nuggets basketball team and the TPI Department Store as examples, do you think it is better to use the mean or median in attempting to describe the average salary. Explain your answer.

(The median has the advantage of keeping extremes (lows and highs) from distorting the average. Salaries are usually reported by using the median average.)

**Includes President, Manager, Assistant Manager, and Accountant

TABLE 2-4 Median Annual Salaries or Earnings for Selected Incomes: 1976*

Physicians and dentists (self-employed)	$37,117	Writers, Actors and Entertainers	$13,000
Physicians and dentists (salaried)	$31,654	Mechanics and Repairers	$12,474
Engineers	$21,215	Taxi, Bus, and Truck Drivers	$12,141
Manufacturing Managers	$20,496	Manufacturing Operatives	$11,688
College and University Teachers	$18,710	Construction Laborers	$10,104
Public Administrators	$17,227	Health Service (Nurses, Aides, and Orderlies)	$ 8,632
Salespersons (insurance, real estate, company rep.)	$14,586	Secretaries	$ 8,450
Elementary and Secondary School Teachers	$13,945	Food Service Workers	$ 7,400
Protective Service Workers (Police, Firefighters, Guards)	$13,598	Farm Laborers and Supervisors	$ 6,114
Craftspeople (Carpenters, Plumbers, Masons)	$13,162	Farmers	$ 5,896

Source: *Statistical Abstracts of the United States*, 1977, Bureau of the Census. All earnings reported except secretaries are for male workers. Female workers earn less in every job category. Additional activities comparing median earnings by sex are included in Activity 2, which follows.

Task 5: Using the information is Table 2-4, answer the following questions:

1. What do you notice about salaries and occupations?

(Some possible responses are: There is a wide range in salaries among the occupations listed; jobs requiring a higher level of education tend to pay more; unskilled labor tends to pay less.)

2. Using the information in Table 2-4, is it correct to say that all physicians and dentists earn a larger income than engineers? Explain your answer.

(No. These are median salaries for the various occupations. Some engineers would be expected to earn more than some physicians and dentists.)

3. Looking at the median salaries in Table 2-4 and comparing them with the median salary of the Denver Nuggets, it would seem that a career in professional basketball is very attractive and profitable.

   Looking at Table 2-5, can you explain:

TABLE 2-5 An Estimate of the Number of Major League Baseball and Basketball Players, Compared to Some Other Professions

	Appropriate Number
NBA Basketball Players	300
Major League Baseball Players	600
Craftspeople	3,000,000
Truck Driver	2,000,000
Teachers	1,500,000
Engineers	1,500,000
Nurses	1,000,000
Physicians	500,000

   a. Why you think NBA basketball players earn such high salaries?

(While there are many basketball players, only a few have the skills necessary to win places on the teams in the professional basketball league. The owners compete with one another to get and keep the super-athlete that will help their team win and draw fans to watch the team play. Excellent players are in a position to bargain for high salaries.)

   b. Why it would be risky to emphasize athletics over school achievement?

(Sample answers include: Only the exceptional athlete makes it to the big leagues; emphasizing athletic achievement over school achievement may mean that the student will not develop his or her potential in other areas; a career in sports is usually only for the young athlete (ages 18-36) so even the exceptional athlete is wise to prepare for life beyond the time in athletics.)

   c. The information in Table 2-4 is for the year 1976. To find out how salaries have changed, select five of the job categories listed below and complete the information requested. (Suggested sources are the career center at your school, governmental agencies, or asking the people themselves.)

Job Classification	Where a Person With This Job Classification Would Be Employed in Your Community	Current Salary Range	Source of Information
Engineer	(Answers will depend on employers selected.)		
Physician			
Salesperson (insurance, etc.)			
Police officer			
Fire fighter			
Teacher			
Carpenter, plumber			
Taxi, bus, or truck driver			
Mechanic			
Nurse			
Waitress or waiter			
Secretary			
Construction laborer			
Other occupation of your choice			

Task 6: Career Choices

Have you considered what type of career you will choose? List four things that you think are important to you in choosing your career. List the most important reason first.

1. (Some possible responses include: 1. Meeting a challenge; 2. Helping others; 3. Earning a high salary; 4. Prestige; 5. Doing something I'm interested in; 6. Time off; 7. Being looked up to; 8. Helping my people; 9. Meeting God's will; 10. Location—near the ocean, home, etc.)
2.
3.
4.

ACTIVITY 2: Income Distribution

You have seen that there are big differences between the yearly income of American families. You have also looked at some of the reasons why there are these differences. To extend your understanding, complete Task 1, 2, and 3 which follow.

Task 1: Median salary incomes are influenced, among other things, by a person's age, race, sex, and level of education.

A. Look at Table 2-6 and answer the questions that follow.

TABLE 2-6 When Earning Hits A Peak: 1980

Age of Family Head	Median Family Income 1980
15-24	$13,792
25-34	20,441
35-44	24,670
45-54	27,256
55-64	23,531
65 and older	12,881

Source: *Consumer Income*, Series P-60, N. 127, U.S. Dept. of Commerce, Bureau of the Census

1. What is the median salary of families in which the head of the family is younger than 25?

   ($13,792)

2. At what age level do median earnings reach the highest level?

   (Between the ages of 45-54)

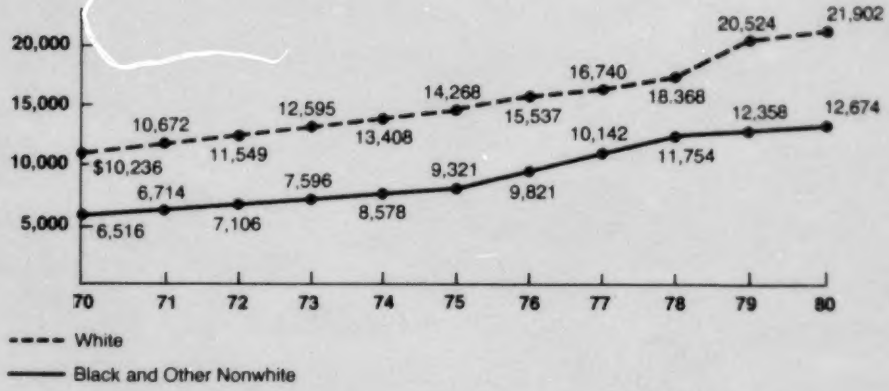
3. At what age level in median income the lowest?

   (65 and older)

B. Look at Figure 2-2 and answer the questions that follow.

1. What was the median family income of black and other nonwhite families in 1980?

   ($12,674)



Source: U.S. Dept. of Commerce, Bureau of the Census

Figure 2-2 Median Family Income by Race: 1970-1980

2. What was the median family income of white families in 1980?

($21,902)

3. Looking at the graph, what can you say about the incomes of white families and black and other nonwhite families between 1970 and 1980?

(Between 1970 and 1980 the difference between black and white families has been increasing. In effect, black family income dropped from 61.3 to 57.9 percent of white income.)

4. Using outside resources, can you list some possible reasons why the difference exists between the median income of black and other nonwhite families and white families in the U.S.?

(Possible reasons include discrimination in hiring policies, in job training, and in apprentice programs; level of education; migration of many blacks from rural to urban setting where unemployment is high; high unemployment rate among black workers; businesses moving out of inner-cities to suburban areas; cost of getting a college education keeping many potential students from going to college; higher portion of female heads of households among black families.)

TABLE 2-7 Median Earnings by Sex: 1960-1980

Year	Median Earnings		Women's Earnings as a Percentage of Men's
	Women	Men	
1980	11,591	19,173	60.5
1975	7,504	12,758	58.8
1970	5,323	8,966	59.4
1965	3,828	6,388	59.9
1960	3,257	5,368	60.7

Source: U.S. Department of Commerce, Bureau of the Census.

C. Look at Table 2-7 and answer the questions that follow.

1. What was the median income of women in 1970?

($5,323)

What was the median income of men in 1970?

($8,966)

Note: The column headed Women's Earnings as a Percentage of Men's is computed by dividing the women's salary by the men's salary, i.e., in 1970, 5323 ÷ 8,966 = 59.4. As the percentage figure gets larger, the difference in salary becomes smaller.

2. In which year was the median women's salary closest to that of the men? (1975) In which year was the difference the greatest? (1960)

3. Looking at the third column (Women's Earnings as a Percentage of Men's), describe what the trend in salary differences was between 1960 and 1980.

(While the trend has been some fluctuation between 1960 and 1980, the differences between women's salaries and men's salaries have remained about the same.)

D. Now look at Table 2-8 and answer the questions that follow:

TABLE 2-8 Median Earnings by Sex In Selected Occupations: 1981

Occupation	Women	Men	Women's Earnings as a Percentage of Men's
Clerical Workers	11,440	17,056	67.1
Computer Specialists	18,460	25,376	72.7
Editors, Reporters	16,848	19,864	84.8
Engineers	19,292	28,444	67.8
Lawyers	21,164	29,848	70.9
Nurses	16,952	17,888	94.8
Physicians	20,852	25,740	81.0
Salesworkers	9,880	19,032	51.9
Teachers (elementary)	16,172	19,708	82.1
Waiters	7,488	10,400	72.0

Source: *Time*, July 12, 1982.

1. Of the occupations listed, in what occupation was the percentage of difference in salary between women and men smallest?

   (Nurses)

2. Of the occupations listed, in what occupation was the percentage of difference in salary between women and men greatest?

   (Salesworkers)

3. Which figures are most surprising to you? Why?

   (Response depends on the student.)

4. After looking at the information in Table 2-7 and 2-8, what can you say about the median salary of women and men in the United States?

   (Women continue to earn less than men. This fact is true even when specific occupations are considered.)

TABLE 2-9 Median Income of Full-Time Workers by Sex and Race: 1980

Race	Sex		Women's Earnings as A Percent of Men's
	Female	Male	
All Races	11,591	19,173	60.5
White	11,720	19,720	59.4
Black	10,915	13,875	78.7
Spanish Origin	9,887	13,790	71.7

Source: U.S. Department of Commerce, Bureau of the Census, *Current Population Reports*, P-60, No. 127.

E. Table 2-9 shows median incomes of full-time workers in 1980 by sex and race. Use the data in Table 2-9 and answer the questions that follow.

1. What was the median income of females of Spanish origin in 1980? ($9,887)

2. What was the median income of black males in 1980?

($13,875)

3. Looking at the data in Table 2-9, write one question that you would like to discuss in class.

(The question is open-ended, but since Table 2-9 deals with sex and racial differences in income, the questions are likely to focus on these two topic areas. During the discussion you may want to refer the student to Table 2-10, which examines Median Income by Education and Sex. *Note:* You may want to have students do research on this topic. You may also want to invite guest speakers to address this topic.)

EXTRA CREDIT: Ask your teacher if you can organize a debate in your classroom to address the question of salary differences between men and women. Resolved: The federal government should assume a larger role in assuring equal pay for women.

F. Look at Table 2-10 and answer the questions that follow.

TABLE 2-10 Comparison of Median Income by Education and Sex: 1979 (Persons 25 years and over)

Years of School Completed	Median Income Women	Men	Women's Income As A Percent of Men's
Elementary School			
Less than 8 years	7,414	10,993	67.4
8 years	7,788	14,454	53.9
High School			
1 to 3 years	8,555	15,198	56.3
4 years	10,513	18,100	58.1
College			
1 to 3 years	11,854	19,367	61.2
4 years or more	14,885	24,000	62.0

Source: U.S. Department of Commerce, Bureau of the Census.

1. What was the median income of males (25 years and older) who completed less than 8 years of school?

($10,993)

2. What was the median income of females (25 years and older) who completed 4 years of college?

($14,885)

3. If one looks only at future income, what advice would you offer to a young woman who is thinking about dropping out of high school?

(Stay in school—on the average, female high school graduates earn more than females who drop out.)

Task 2: Characteristics of the Poor

In 1978, a family of four was considered poor if its earnings were less than $6,662. Poor people made up approximately 24.5 million, or 11.4% of the population. Being poor is not restricted to any one group of Americans. However, approximately 25 percent of our Hispanic population and 32 percent of black families fall in this category. Using the information in previous activities, can you

identify some characteristics of the poor. For example, look at the informational material on the following five people:

a. Billy Ray Barnes, Bend, Oregon
Age: 63 Health: Poor Race: White
Education: Grade school drop-out
Occupation: Laborer

b. Mary Jo Tatum, Atlanta, Georgia
Age: 36 Health: Excellent Race: Black
Education: College graduate
Occupation: Accountant

c. Joe E. Cowling, Kansas City, Kansas
Age: 17 Health: Excellent Race: White
Education: Dropped out of high school in his second year
Occupation: Food service worker

d. Victoria Valdez, Denver, Colorado
Age: 25 Health: Excellent Race: Mexican-American
Education: High school graduate
Occupation: Clerical work

e. Helen M. Dale, Denver, Colorado
Age: 25 Health: Excellent Race: White
Education: High school graduate
Occupation: Clerical work

1. Compare the background information on Billy R. Barnes and Mary Jo Tatum. Which person do you think would receive a higher income?

(A good bet would be Mary Jo Tatum.)

Using the information from Figure 2-2 and Tables 2-6 through 2-10, list three reasons to support your choice.

(Possible answers—age (35-44 category), college degree, excellent health, good job training.)

2. Compare the background information for Joe E. Cowling and Victoria Valdez. Which person do you think earns a higher income? Before making your choice, use the data from Figure 2-2 and Tables 2-6 through 2-10 and summarize the advantages and disadvantages that Mr. Cowling has.

a. Joe E. Cowling has the following advantages. (List as many as possible.) Race (white), sex (male).

b. Joe E. Cowling has the following disadvantages. (List as many as possible.) (Age, high school drop out, unskilled worker (food service worker).)

c. Which person do you feel will earn a higher income? _____

Why? (Victoria Valdez would be a good bet, but it is hard to say. She has the following advantages—more mature (25-34 age category), high school graduate, has a skill (clerical worker). However, she is Mexican American and we have seen that this has an effect.)

3. Compare the background information for Victoria Valdez and Helen M. Dale. Their backgrounds are the same except for one thing. Assuming that their skills as a secretary are exactly the same, do you think their incomes would be the same? Explain.

(According to Table 2-9, Helen M. Dale, a white, may have the advantage. However, Denver, Colorado has a large Mexican-American population. If Victoria is bilingual it would be to her advantage.)

Task 3: Making the Most of Your Opportunities and Skills

As we have seen, a person's age, sex, race, and level of education strongly influence a person's income. It is unfortunate, but age, race, and sex discrimination still exist in the United States. Fortunately, however, there are other things that influence the income a person can earn.

1. List as many things as you can that can have an influence on the income you will earn.

(Some possible responses include: going to college; becoming a doctor; investing money wisely; completing high school; seeking job training; joining a union; selecting a job that pays a high salary; developing a positive attitude; being a good worker.)

Where the Food Money Goes

CHAPTER 3

ORGANIZER

One of the struggles of people through the ages has been to close the gap between the available food supply and the increasing need for food. This was as true for people in prehistoric times as it is today.

In the activities that follow, you will take a closer look at the way one item of food, beef, goes from steer to burger and how money is spent at each step along the way. You will also look closer at the people in your own community who work together to provide your family with the food you eat.

ACTIVITY 1. What Food Distribution Costs

Most Americans buy their food in a local market. Bananas grown in Honduras are sold in Great Falls, Montana. Wheat grown in Sublette, Kansas may find its way into a market in Dover, Delaware. Beef sold in Florida, may come from a cow that was raised in Missouri, butchered in Illinois, and sold to a customer in Miami.

The farmer may occasionally come into contact with the customer but this is the exception rather than the rule. Many people are involved in getting the food to you—the farmer, the food processor, the wholesaler, the owner(s) of the market and others. As one example of food distribution, we will take the beef you buy at the local market.

On the Trail of a Steer—From Birth to Burger

Early on the evening of June 26, 1978, in the backyard of Robert and Susan Mandell's house in Montvale, New Jersey, the hamburgers were sizzling on the grill. The final chapter of a saga that started two-and-a-half years before on a farm in Missouri.

February 1976

Off in a corner on a cold, bleak pasture on the Missouri plain a cow dropped a wet, wobbly male calf. She licked it clean; in a few moments it was on its feet. It weighed about 80 pounds and was black, save for a white face—a cross between an Angus and a Hereford.

The calf was kept on the ranch for nine months. By that time it weighed about 450 pounds. It was then loaded on a truck for a trip to the Kansas City Livestock Exchange.

October 1976

At the Kansas City Livestock Exchange, the steer was sold to Mr. Raymond Neth, a cattle feeder, from Liberty, Missouri for 35¢ a pound—about $150. On Mr. Neth's farm the steer was fed a mixture of grass and grain. By the summer of 1977 the Angus-Hereford steer was now short and stocky and weighed a bit more than 650. The steer was gaining weight at the rate of one-and-a-half pounds a day. As fall approached it neared its selling weight of 700-800 pounds. One morning, in company with the other cattle in the Neth's herd, the steer was trucked back to the Kansas City Livestock Exchange.

Fall 1977

The steer was now 733 pounds and sold for 43¢ a pound—$308.00. After subtracting the original $150 cost, the cost of feed, trucking, and other expenses Mr. Neth figured he made between $35 to $40 on the steer.

The highest bidder for the Neth's steer was Lee Throckmorton, an owner of the Kansas City Livestock Company. Mr. Throckmorton immediately resold the steer, along with 797 other cattle, to Mr. Lemoine Moll from Shannon, Illinois. The selling price was 45¢ a pound. Mr. Moll fed the steer an enriched diet of chopped corn stalks, chopped ears of corn, and soybean meal. His goal was to increase the weight of the steer by two-and-a-half pounds a day.

During the spring of 1978, Mr. Moll sold off 701 steers in nine batches. The prices ranged from 54¢ a pound to 62¢, the highest he'd received in his 25 years as a farmer. Mr. Moll kept 73 steers, hoping the prices would go even higher. The Angus-Hereford steer from Missouri was in this last group.

On June 2, Mr. Moll received some bad news. The government agreed to allow 200 million pounds of beef to be brought into the country. The purpose was to bring down the price of beef. Prices started dropping.

June 18, 1978

On the morning of June 18 Mr. Moll called his neighbor, Bill Miller, a cattle buyer. What did he think of the market? The news: bad and getting worse. Mr. Miller called a trucker and before the day was over the 73 remaining cattle were headed down Route 80 to the stockyards in Joliet, Illinois, 135 miles away.

June 19, 1978

At 9:02 A.M. Mr. Cal Clark, a representative of the Illinois Beef Packing Company, made a high bid of 56½¢ a pound for Mr. Moll's 73 head of cattle. Mr. Moll was disappointed. He wished he had sold them earlier.

In figuring his bid Mr. Clark had talked with his boss. He knew that slaughtered beef was selling for 90½¢ a pound. Knowing that a live steer will dress out at, say, 63 percent, he figured that his bid for live animals could not go above 57¢. He had to figure shipping costs too. His top bid on that day could be no higher than 56½¢ a pound! By the end of the day, the price per pound had dropped as low as 55¢ a pound.

Had Mr. Moll earned a profit on the Angus-Hereford steer? It worked out this way: $327.66 purchase price; $192.38 for feed; $33.57 for management overhead; $15.11 for interest on the loan; $2.73 for processing and medicine; $2.33 for its share of the loss by the death of four fellow steers. The total investment was $573.77. Add the $2.00 selling commission plus the transportation, insurance, and feeding cost at the feed lot—Mr. Moll figured that for the six months labor he had made about $62.73 on the steer. (His profits on the 798 cattle were $86,875, an annual return of about 6.5% on his investment.)

June 20, 1978

At 7:46 A.M. the steer was killed at the Illinois Beef Plant in Joslin. Just 25 minutes after the fatal device was fired, the hide and other by-products had been removed and the carcass was on its way to the cooling room.

June 21, 1978

At 7:10 A.M., the beef carcass of the Angus-Hereford steer from Missouri, now in two parts (known as sides), was moving out of the cooling room toward the grading room. Mr. William Benner, an experienced meat grader who works for the federal government, took 15 seconds to grade the meat "choice"—the grade most farmers hope for and grade most consumers prefer.

June 23-25, 1978

On June 23 the Illinois company sold a truck load of carcasses to Mr. Richard H. Lubben, owner of the Richard H. Lubben & Son Wholesale Meat Company in Englewood, New Jersey. The price per pound was 87¢. At that price Illinois would receive $649.63 for the meat from the Angus-Hereford steer. That was $25 less than the price they paid Mr. Moll. But that figure left out the by-products—tongue, skin, etc. The by-products sold for about $64. Subtracting all costs, the Illinois company figured to make a profit of $7.14 on the Angus-Hereford steer.

As a wholesaler, Mr. Lubben's company buys and sells beef to many companies, large and small. He sold the Angus-Hereford steer

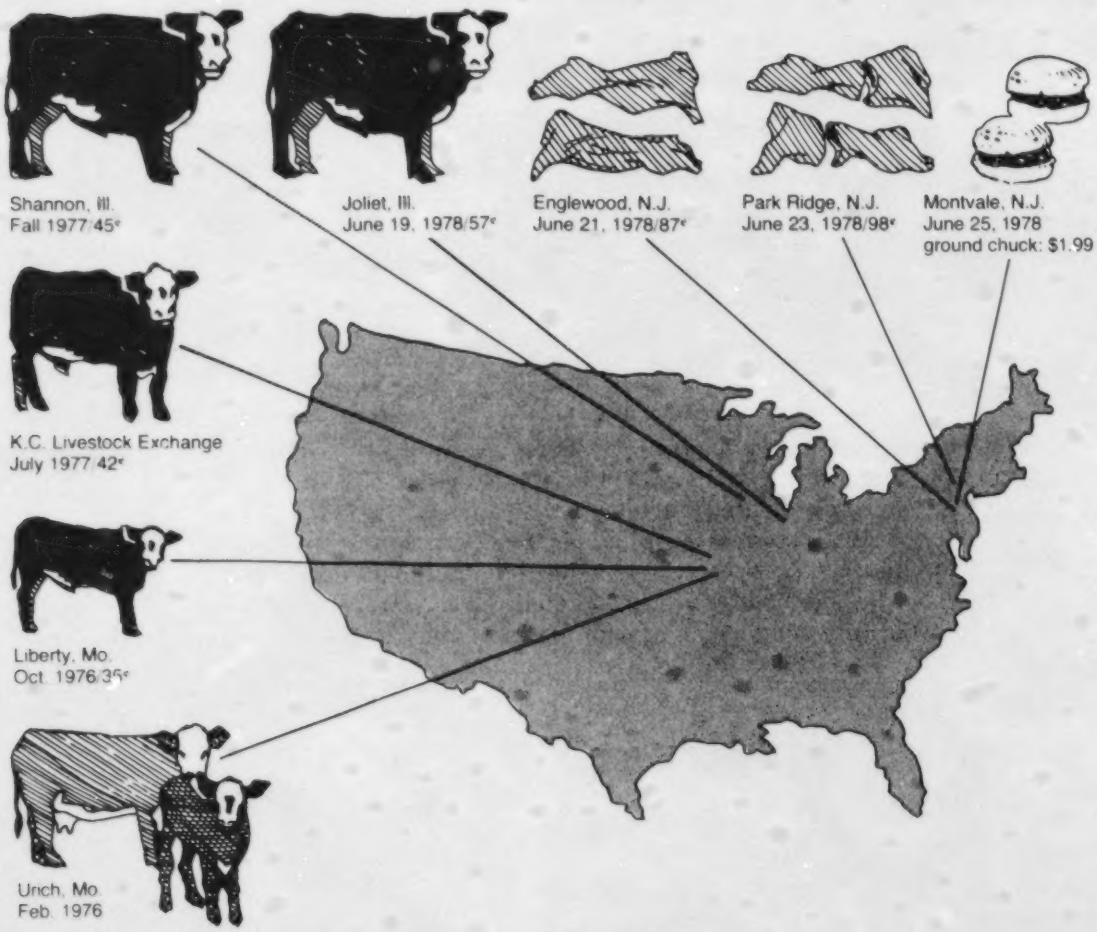


Figure 3-1 From Birth to Burger: Price per Pound

to Mr. Ed Mosier, operator of the B & M Meat Market for the price of 98¢ per pound.

Mr. Lubben had paid $649.63 for the carcass of the Angus-Hereford steer from Missouri, plus $26.13 for trucking costs—total $675.76. He sold the beef to Mr. Mosier for $723.24. Considering all his costs, he figured to make a profit of approximately $15 on the steer.

Mr. Mosier examined the carcass carefully. He knew from experience that only two thirds, or approximately 492 pounds, can be sold in his market. The rest—bones and fat, had little value—$8 at the most.

Some cuts of meat will sell for as high as $3.49 a pound for steak to $1.39 a pound for hamburger. He hoped to average $1.79 a pound, or $882.35. After costs, Mr. Mosier figured he would make about $35 profit on the carcass.

At 7:59 A.M., the first pieces of meat from the steer were placed in Mr. Mosier's meat case—8 sirloin steaks. The other cuts quickly followed. At 9:23, Susan Mandell from nearby Montvale walked into the store. A long-time customer, she recognized that prices are higher there, but she says the quality of meat makes it worthwhile.

At 9:46, Mrs. Mandell made the first purchase of the Angus-Hereford Missouri steer—two pounds of ground chuck at $1.99 a pound.

June 26, 1978

Early on this still sunny summer evening in Montvale, Bob Mandell had the barbeque going in the backyard. When Mrs. Mandell was almost finished broiling the ground chuck, Mr. Mandell started setting out the salad, fresh corn on the cob, potato chips, and milk. An hour later, after the meal was over, they agreed that the meat had been excellent.

Note: Condensed from an article, "On the Trail of a Steer, From Birth to Burger" by William Serrin, *New York Times*, Sunday, Dec. 10, 1978.

Task 1: From Birth to Burger

Answer the following questions: During the Spring of 1978, Mr. Moll was selling off the cattle. During that time, the federal government agreed to allow 200 million pounds of beef to be brought into the United States.

1. What happened to the price of Mr. Moll's cattle?

(It dropped from a high of 62¢ a pound to 56½¢ a pound.)

2. This was bad news to Mr. Moll, but what about the consumer? If the demand for beef remained about the same, would more beef on the market tend to raise or lower prices in the meat markets? Explain your answer.

(As the supply increases, the price tends to go down.)

3. Mr. William Benner was the meat grader that worked in the Illinois beef plant in Joslin. She is one of 11 federal employees that works at the plant. Why do you think the government would have inspectors working in a meat-packing plant?

(Grading done by government workers provides the consumer with information about the relative quality of the meat. Other government workers check the plants for cleanliness and humane care of animals. If you have a meat packing plant in your community you may want to examine the role that the government plays.)

TABLE 3-1 Where the Food Money Goes

Product	Who Gets the Money
Beef (Choice) For every $1 you spend	Farmer gets 58¢ Retailer gets 28¢ Processor gets 6¢ Wholesaler gets 6¢ Others get 2¢
Milk For every $1 you spend	Farmer gets 55¢ Wholesaler gets 15¢ Retailer gets 14¢ Processor gets 13¢ Others get 3¢
Bread For every $1 you spend	Wholesaler gets 38¢ Processor gets 35¢ Farmer gets 13¢ Retailer gets 9¢ Others get 5¢

Source: *U. S. News and World Report*, June 12, 1978.

Task 2: Who Gets the Food Money?

The reading on page 35, "On the Trail of a Steer—From Birth to Burger," provides you with one example of the chain of people that work to produce our food.

Table 3-1 shows "Where the Food Money Goes." Three examples are provided—beef, milk, and bread.

The figures in Table 3-1 are national averages. In this exercise you will be looking at costs in your own community.

Select one of the two products below trying to pick one that is produced in your community. Once you have made the selection, complete section B.

A. Food Product (Select One)

Gallon of milk ____

Loaf of bread ____

B. From Farmer to You

Type of Business	Name of Business	Approximate cost of product (per gallon or loaf)—Final price in your community
Retailer (The retailer sells the product to the customer)	(Answers will depend on the current prices and businesses in your community. This activity is an excellent one for enlisting the help of parents. You may want to send a letter home to them with suggestions. Some of them may be in the baking or dairy business, or may know people who are, and could help supply information for this table.)	

Type of Business	Name of Business	Approximate cost of product (per gallon or loaf)—Final price in your community
Wholesaler (The wholesaler buys from the processor and sells to the retailer.)		
Processor(s) (The processors prepare the milk or wheat into the final product—gallon of milk, loaf of bread.)		
Farmer (The farmer grows the wheat or cows that produce the milk or grain.)		
Other: As you complete the exercise, look for other costs that add to the price.		

Note: In some cases, one company may do two or more of the steps listed above.

C. 1. Looking at the national averages in Table 3-1 on page 40, and looking at the cost in your own community, what figures were most surprising to you? _____

(Depends on perception of student—encourage sharing of ideas.)

2. Compare your prices with members of your class. Did prices for the product (gallon of milk or loaf of bread) vary from one retail store to another? _____

Why or why not? _____

(Prices usually vary from one store to another, and according to the size of loaf, type of product (low fat, brown bread, etc.).)

3. Do you have a farmer's market in your community? _____

(Note: In a certified farmers' market you can buy products directly from the farmer.)
If your answer is yes, compare the prices of products sold in your local grocery store and the farmers' market. How do they compare? _____
(Answer depends on community. If there is a farmers' market, encourage students to compare prices. Explore why farmers sell their products in this type of market, why consumers shop there, etc.)

4. List two ways that a family can help to keep the cost of food down? (Compare your answers with others in your class.)

a. _____
(Comparing prices and shopping for the best price; planning meals to use less expensive food stuffs; other answers are encouraged.)
b. _____

Task 3: Food Cost as a Percentage of Family Income

Figure 3-2 shows what percentage of family income went for food in 1950, 1960, 1972, and 1978.

1. What percentage of 1950 family income went for food? (28%)

2. What percentage of 1978 family income went for food? (20%)

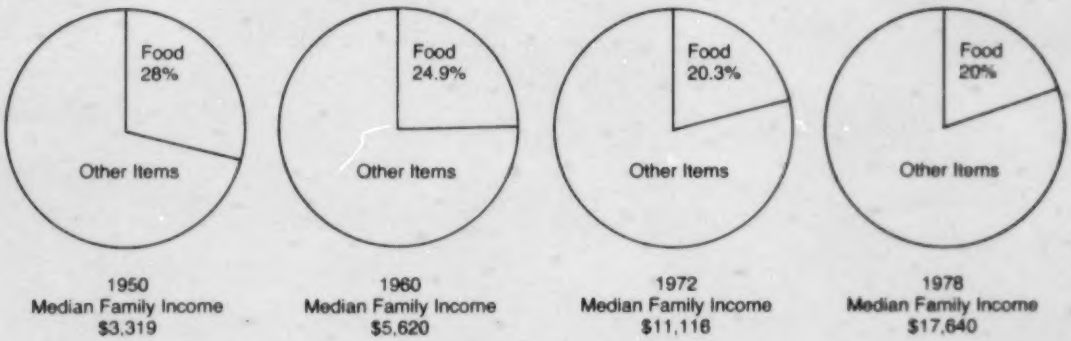


Figure 3-2 Percent of Family Budget Spent for Food: 1950-1960-1972-1978

3. What has been the trend in the percentage of income spent for food in this period between 1950 and 1978?

(The percentage of income spent for food went down.)

4. In 1978 the median family income was $17,640. What was the approximate dollar value that the family spent for food?

($17,640 × .20 = $3,528.)

5. In 1960 the median family income was $5,620. What was the approximate dollar value that the family spent for food?

($5,620 × .249 = $1,399.38.)

6. Does the fact that the average family of four is spending as a percentage of their income less for food indicate that food prices have gone down since 1950? Explain your answer.

(No. People expended a smaller percent of their income; however, prices have increased during the period from 1950 to 1978.)

7. Why is it important that you become a wise food shopper?

(Answers may vary but generally it is important to make the best use of our own personal scarce resources.)

Labor Unions

CHAPTER 4

ORGANIZER

Economics is the study of how people produce, distribute, and consume goods and services. To produce and distribute the goods and services produced in our country requires the cooperation of many people—managers, sales people, designers, and many other workers.

More than 20 million workers in the U.S. are members of labor unions. Laborers, plumbers, miners, electricians, auto workers, bakers, and many different types of workers join together in unions to obtain better working conditions. The following activity provides a closer look at labor unions.

ACTIVITY 1: Coal Mining and the Union

It was 5:30 A.M., and Frank Merriweather shivered as he stepped from the warmth of his house into the raw air of the wintry morning. Placing his lunch pail on the seat of his red pickup, Frank slid into the front seat, started the engine, and waited for the truck to warm up. It was hard for him to believe, but today marked the twentieth year that he had been a coal miner at the Sunnyside Mine just outside of Price, Utah.

"Twenty years," he thought and shook his head. "That's quite a stretch," he said aloud as he pulled onto the highway. "Quite a stretch."

The Sunnyside Mine in Utah is a deep, underground mine. Like a huge anthill, the mined out area is honeycombed with more than 1300 miles of underground tunnels that wind their way back and forth deep into the earth. Each day teams of miners descend into the tunnels to work the seams of coal.

Frank is one of about 400 employees at the mine. When the mine is operating at capacity, it produces up to 1.25 million tons of coal per year. But it doesn't always operate at capacity. When orders

for coal are low, as they were in 1976-77, Sunnyside cuts back its production. In December, 1976, 117 workers were laid off by a cutback in production. It was not just miners that were affected. Many other people—engineers, office workers, electricians, welders, and many more—are affected by cutbacks at the mine. As production was increased, some of the laid-off workers were hired back.

There had been times when Frank thought about trying to get a job above ground, but for reasons even Frank had trouble trying to figure out, he liked working in the mine. Perhaps it was the crew he worked with; then again, the salary of over $100 per day was better than he could earn in any other job in the area. Maybe it was living in this part of Utah. It had always been home, and the things he knew and cared about were here—his family, his friends, his church, the hunting and fishing.

Another thing was that he was good at his job. Oh sure, he knew that a coal mine wasn't the safest place in the world to work, but he figured it wasn't all that much more dangerous than other heavy construction work.

When he arrived at the mine, Frank greeted his friends as they checked in and got ready to head into the mine where they were opening up a new seam of coal. As they waited and talked, Frank thought back to the first time he entered the mine. Back then, every little noise or rattle set his heart pounding. Now that he was familiar with the mine operation, he felt more comfortable, although he was aware of the dangers of operating machines below ground. New mine safety standards have brought about many changes at the mine, but it's still a dangerous occupation. The new standards that took affect on April 1, 1978, pleased him because they require better lighting of the area where coal is being mined.

Once inside the mine, the lights beamed dimly from the hard-hats on the miners' heads. As they moved along, the small spot of light from his hat would dart across the floor and up the walls which were not black in color, but instead were chalky white. This white substance was powdered limestone, a material used to lessen the chance of coal dust explosions in the mine.

As Frank and his co-workers proceeded further into the passageway, lights of other mine workers could be seen flickering in the distance. As they moved along, Frank looked to his right at the conveyor belt which, although quiet now, would soon be carrying the coal from his long wall miner to the waiting coal cars. As they approached their work station, they crossed over the conveyor belt and started up a slight incline. The space here became more cramped. The conveyor belt was close on the left and the hydraulic roof supports crowded Frank on the right.

In the dim light, Frank spotted the long wall miner. He could remember when it was first introduced in this mine. It had taken some getting used to, but he had mastered it now, and he was proud to have achieved the title of "shear operator."

Within minutes, Frank and the crew would have the long wall miner in full operation with its cutting teeth ripping away at the seam of coal and shooting black chunks of coal back onto the conveyor belt.

Frank has seen many changes during his 20 years in the mine—higher salary, safer working conditions, more job security, better pension, and health insurance. He credits his union, the United Mine Workers Union of America (UMW), with helping to bring about many of these changes.

The United Mine Workers Union (UMW) at Sunnyside Mine

During the early spring of 1981, the leadership of the union and the managers from Sunnyside Mine were meeting to work out new labor-management contract. On March 27, 1981 the Union members went on strike because labor and management were unable to reach an agreement. During the spring the leaders of the union and the management of the mine continued to bargain to try to reach an agreement. In early June of 1981 an agreement was reached, and on June 6th the new contract went into effect and the workers returned to work.

The new contract will be in effect for 40 months. This new contract specifies salary, working conditions, and fringe benefits (vacation, retirement, health and life insurance, etc.) for the workers. While Frank was not happy about being off work for the ten weeks they were on strike, he believed that it was important that the workers and management sign the new contract before they returned to work. The union leadership had not been able to get all the things they wanted in the new contract, but all in all Frank felt that the union leadership had done a good job in representing the union members.

Labor Union Membership

More than 20 million American workers, approximately 25 percent of the work force, are members of unions. Unions have two major purposes. First, they try to improve the economic conditions of their members. Second, the union tries to influence state and federal laws that will benefit their members.

I. Improved economic conditions include:

1. Higher wages and shorter hours.
2. Guaranteed seniority rights. (This means that those who have held their jobs for the longest time are given certain privileges. In Frank Merriweather's case, he was not laid off in 1976-77 because he had been with the mine for 15 years. Newer employees were laid off first.)

3. Union security rights. (The union tries to get a company to recognize and bargain with the union chosen by the workers.)

4. Job security. (The union tries to save jobs for its members. One method is to cut the working hours of all workers to keep some from being laid off.)

II. Unions try to influence state and local laws by:

1. Trying to get law makers in government to pass laws that the union feels will benefit its members. (For example, improved safety laws, better health care, improved Social Security, higher minimum wage, etc.

2. Trying to help elect candidates for office who favor laws that are pro-labor and pro-union.

Task 1. The Sunnyside Mine

A. Re-read the section describing the Sunnyside Mine.

1. List two safety measures that have been taken to protect miners.

a. (Limestone on walls to lesson the chance of explosion.)

b. (New light standards passed in 1978.)

2. List three reasons why Frank continues to work in the mine.

a. (Salary higher than other jobs in the area.)

b. (Living in the area.)

c. (Good at his job—job satisfaction.)

3. Talk with a person who is employed in your community. List three reasons why that person continues with his or her job.

(Answer depends on person being interviewed. Encourage students to discuss various reasons. Explore job satisfaction with student.)

a.

b.

c.

Task 2. Union Activity in Your Community

Identify a company in your community which employs workers who belong to a union. Complete the questionnaire that follows by interviewing a representative from both the management of the

company and the labor union. (You may want to join with other students and visit a company to complete this assignment.)

I. Name of Business: (Note: Here is an activity in which parent involvement could be very beneficial.) _____

II. Workers belong to the following union:

Name of union(s):	Type of jobs held by workers:
_____	_____
_____	_____
_____	_____

III. Type of Collective Bargaining Agreement. Check one.

____1. *Closed Shop*: Company hires only union members. (This type of agreement was outlawed by the Taft-Hartley Act of 1947. However, it still exists in some companies.)

____2. *Union Shop*: The company can hire nonunion workers but they must join the union after a certain period of time. If the worker does not join the union they can be fired.

____3. *Agency Shop*: In an agency shop, workers are not required to join the labor union but they must pay union dues. Union members feel this is fair since it is the labor union which fights to get higher wages and better working conditions for them. Nonunion members don't always agree with this argument.

____4. *Open Shop*: The open shop is one in which the workers decide whether or not they wish to join the union. As a result, both union and nonunion members work in the company. (Labor unions continue to be opposed to the open shop, particularly in states that have "right-to-work" laws. "Right-to-work" laws prohibit union shops.)

____5. *Right-to-Work Laws*: The Taft-Hartley Act of 1947 outlawed the closed shop and individual states were given the right to prohibit union shops. The laws that prohibit union shops are called "Right-to-Work" laws. Put a check if your state has a Right-to-Work law.

IV. Collective Bargaining

Workers join unions so that they can bargain as a united group. The process of the union and managers of a company coming together to bargain or negotiate is called *collective bargaining*.

A. To try to get their way, union members sometimes use methods to bring pressure on the managers. Has the company management ever been faced with: (Check as many as are appropriate.)

____1. *Strike*: A strike is a temporary refusal of workers to continue on the job. If checked, what were the reasons and how long did the strike last?

_____

_____

_____

____2. *Boycott*: A boycott is the union trying to get people not to buy company products. (A primary boycott is the union trying to get its members not to buy the company's goods. Secondary boycotts—trying to get others to stop buying the company's products—is illegal.)

____3. *Picketing*: Picketing is the marching of workers at the entrance of a company's building or plant. Pickets usually carry signs that state their complaints.

____4. *Slow down*: Workers slow down to reduce the amount of work they normally do.

B. To get their way, management sometimes uses methods to bring pressure on the union members. Has the company ever used any of the following: (Check as many as are appropriate.)

____1. *Lockout*. A lockout is the company refusing to let the workers enter the company's property.

____2. *Injunction*. An injunction is a court order, obtained by the management. It forbids the union from interfering with the company's operation. (Injunctions are often ordered to stop union picketing.)

V. Future Negotiation

1. When will the next union contract be negotiated?

_____

2. What does the management expect to be the key issues?

_____

_____

_____

_____

3. What does the union expect to be the key issues?

Energy for Economic Growth

CHAPTER 5

ORGANIZER

Our industrial economy depends upon the production and use of large amounts of energy. Many of the world's economic problems are closely related to energy. Energy distribution, dwindling supplies of fossil fuels, and the environmental effects of mining and burning coal are pieces of the problem. Questions regarding the safety of nuclear power bring us face to face with other energy-related problems.

Throughout our economic history people have sought to develop energy sources that expand our ability to do physical tasks. Early domestication of animals, later use of wind and water power, and finally the burning of fossil fuels have all increased our ability to do work.

The amount of gasoline and other fuel oils has also been increased by improved refining methods. We are now able to produce up to five times more gasoline for each barrel of crude oil than we were when oil was first refined. Scientists are also working to find new uses for petroleum.

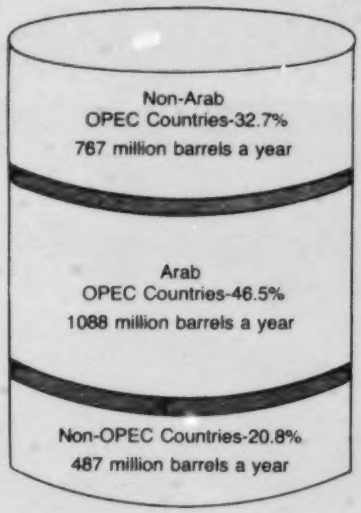
Our remaining reserve of oil will eventually be used to make petrochemicals. In the meantime, the search for alternative energy sources goes on.

The activities in this chapter focus on two areas—the U.S. reliance on imported oil and energy consumption.

ACTIVITY 1: Oil Imports

During 1980 the U.S. imported approximately 2.4 billion barrels of crude oil. The cost per barrel averaged $31.90.

In millions of barrels*a year	
Non-Arab OPEC Countries**	
Nigeria	389
Iran	108
Venezuela	107
Indonesia	137
Ecuador	11
Gabon	15
Arab OPEC Countries	
Saudi Arabia	488
Algeria	220
Qatar	11
Kuwait	2
Libya	233
United Arab Emirates	102
Iraq	32
Non-OPEC Countries	
Canada	98
Trinidad-Tobago	44
Norway	28
Mexico	158
United Kingdom	72
Other	87



*Barrel = 42 gallons
**OPEC—Organization of Oil Exporting Countries

Source: *Statistical Abstract*, 1980.

Figure 5-1 Foreign Sources of U.S. Imported Crude Oil: 1979

Task 1: Trends in Oil Imports

1. What was the dollar value of oil imports in 1980?

   ($76,536,000,000)

2. Using 1980 as the base year, and checking current news reports, have oil imports been going up or down?

   What is the source of your data?

   (Answer depends on current events: Oil imports were going down during 1981 and 1982.)

Task 2: Sources of Imported Oil

In 1979 the U.S. imported 108 million barrels of oil from Iran. In the previous year, the U.S. had imported 202 million barrels from Iran. The cut in imported oil from Iran was a result of troubled

relations between the two countries. The cut in oil imports from Iran was troublesome but not critical.

During 1980 Iran and Iraq were at war. What if the war were to spread to other nations in the Middle East? If the supply of oil from that region were to be cut off, this would be a very serious problem for the United States. While we hear talk about becoming energy independent, the fact remains that during the remainder of this century we will rely on imported oil to meet a part of our energy needs.

Questions:

1. Look at Figure 5-1. In 1979, which country was the largest single supplier of imported oil?

   (Saudi Arabia)

2. What percentage of U.S. imported oil comes from:

   a. OPEC Countries (79.2%)

   b. Arab OPEC Countries (46.5%)

   c. Non-Arab OPEC Countries (32.7%)

   d. Non-OPEC Countries (20.8%)

Task 3: The Organization of Oil Exporting Nations (OPEC)

The major purpose of The Organization of Petroleum Exporting Nations (OPEC) is to regulate the supply and price of crude oil to the advantage of its members. By working together to try to control the supply and price of oil, OPEC member nations have had a major impact on the price of crude oil on the world market.

1. Look at Figure 5-2, The Rising Cost of Oil. In December of 1980, ministers from the OPEC nations met and raised the price of oil to a maximum price of (\$41.00 per barrel of oil)

2. What was the approximate cst of a barrel of imported oil in:

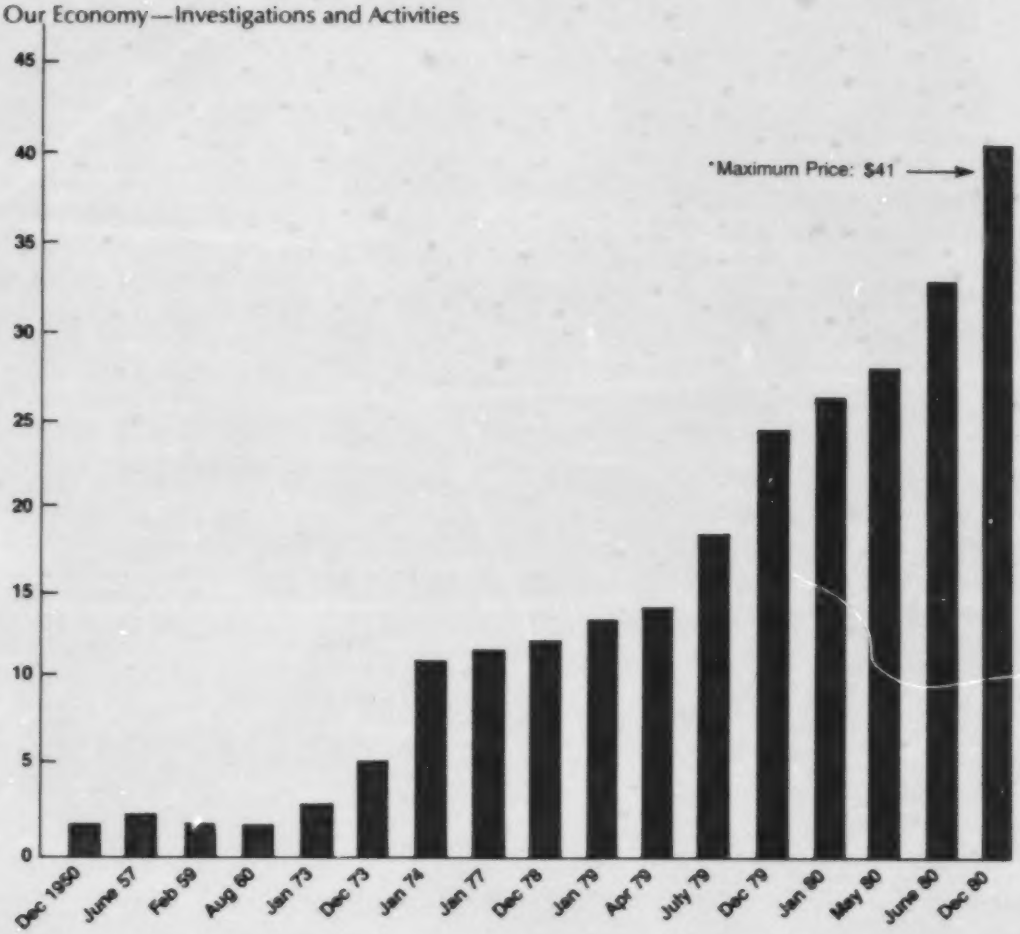
   a. December, 1950? (\$2.00)

   b. August, 1960? (\$2.00)

   c. December, 1973? (\$5.00)

   d. January, 1974? (\$12.00)

   e. June, 1980? (\$35.00)



Source: *International Petroleum Encyclopedia, Petroleum Intelligence Weekly*

Figure 5-2: The Rising Cost of Oil: Cost per 42-Gallon Barrel

3. Using the information above, describe what happened to the price of imported oil between:

   a. 1950-1960 (Remained about the same.)

   b. 1960-1972 (Remained about the same.)

   c. 1973-1980 (The price has been going up rapidly, from $5 to the $35 range.)

4. OPEC was founded in 1960. Do you think it is to the advantage of the U.S. consumer that OPEC exists? Explain your answer.

(Not necessarily an advantage for the consumer because the OPEC nations have been able to exert some controls on production and price of oil and prices of petroleum products have been going up.)

Task 4: From Those Who Have to Those Who Want

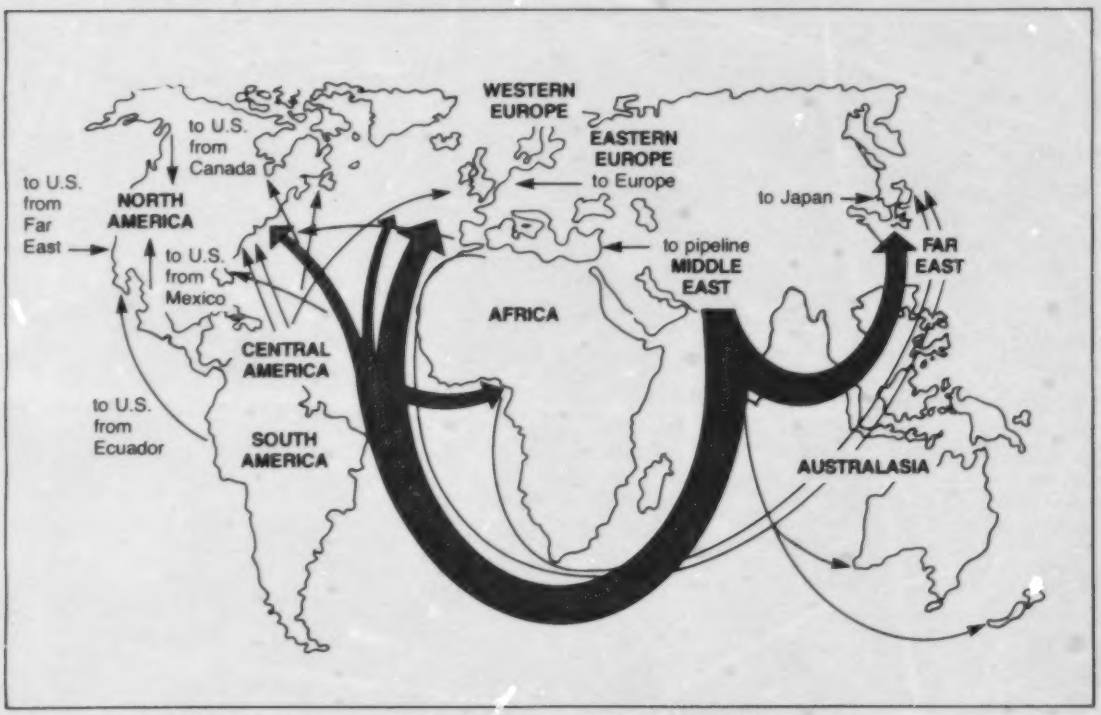
Using the information in Figure 5-3, answer the following questions.

1. List four countries or regions of the world where the United States gets its imported oil.

   a. _____ c. _____
   (Any combination of answers possible—Mexico, Central America, Canada,
   b. South America, Africa, Middle East.) d. _____

2. What nations or areas appear to be most dependent on Middle Eastern oil? _____
   (North America (U.S.), Western Europe, Far East (Japan), Australia, New Zealand.)

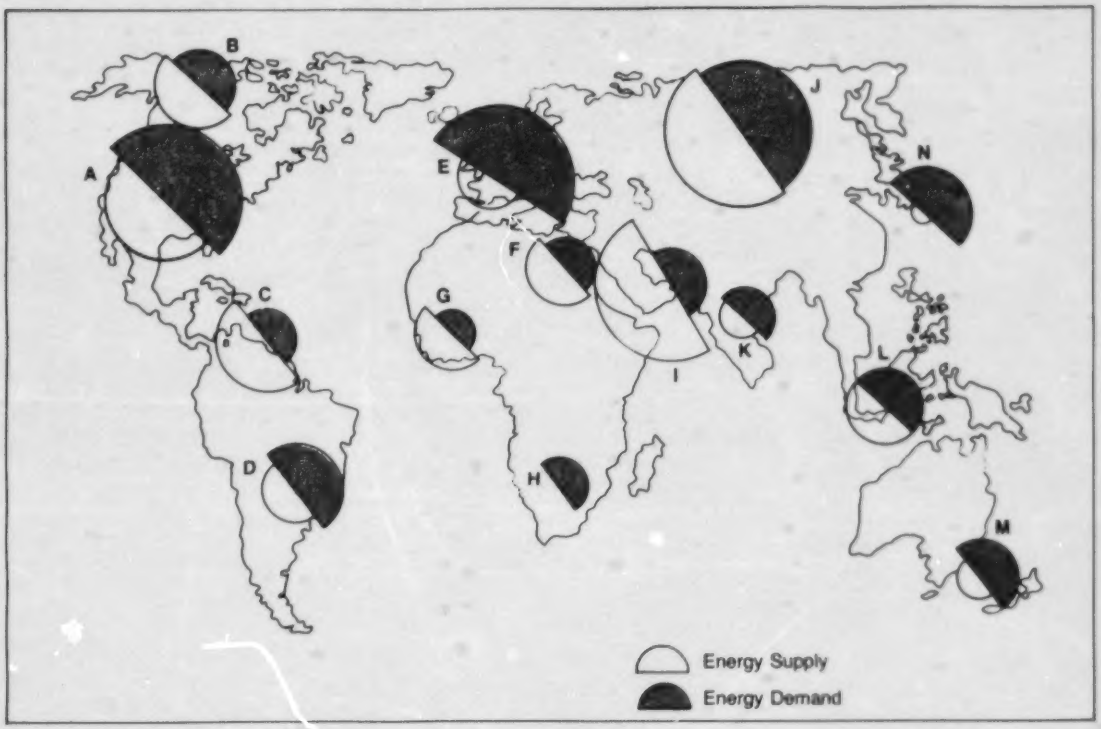
3. What effects might an oil embargo* from the Middle East have on these nations? _____
   (Severely cut the amounts of crude oil. This would cause an impact on industry, transportation, and families.)



Source: *Energy in the Global Market Place*, U.S. Dept. of Energy. NSTA, March 1978 (Adapted from Bureau of Mines, Division of Petroleum and Natural Gas).

Figure 5-3 Crude Oil Flow: 1975

*Embargo: any legal restriction on trade, i.e., Middle Eastern countries agreeing not to ship oil to other nations, or the 1980 decision of the U.S. to stop selling grain to the Soviet Union.



Source: Adapted from *BP Statistical Review of the World Oil Industry*, 1976.

Figure 5-4 Energy Supply and Energy Demand in World Regions

Task 5: Energy Supply and Energy Demand in the World Regions

1. Use the data in Figure 5-4 to complete the chart.

Put a check in the appropriate column. Base your choice on the information on the map. The first one has been done for you.

Code	Area or Nation	Supply Greater than Demand	Demand Greater than Supply	Balance Supply and Demand
A.	United States		(X)	
B.	Canada	(X)		
C.	Caribbean	(X)		
D.	South America		(X)	
E.	Western Europe	(X)	(X)	
F.	North Africa	(X)		

Code	Area or Nation	Supply Greater than Demand	Demand Greater than Supply	Balance Supply and Demand
G.	West Africa	(X)		
H.	South Africa		(X)	
I.	Middle East			
J.	USSR			
K.	South Asia		(X)	
L.	Southeast Asia			(X)
M.	Australia		(X)	
N.	Japan		(x)	

Source: *Energy in the Global Market Place*, U.S. Dept. of Energy. NSTA, March, 1979.

You will need to look carefully at both the map and the chart in order to answer the following:

2. Which regions probably have to buy oil from foreign countries?

a. _____
(Possible answers include: U.S., South America, Western Europe, Japan, South
b. Africa, South Asia, Australia.) _____

c. _____

d. _____

e. _____

f. _____

g. _____

3. Which regions (or nations) have more oil than they need for their own use at the present time?

a. _____
(Possible answers include: Canada, Caribbean, North Africa, West Africa, Mid-
b. dle East, U.S.S.R.) _____

c. _____

d. _____

e. _____

f. _____

4. Trade partners are those who have something to sell and those who need to buy. Can you find four possible trade partners? List them. Partners can be mentioned more than once.

a. _____

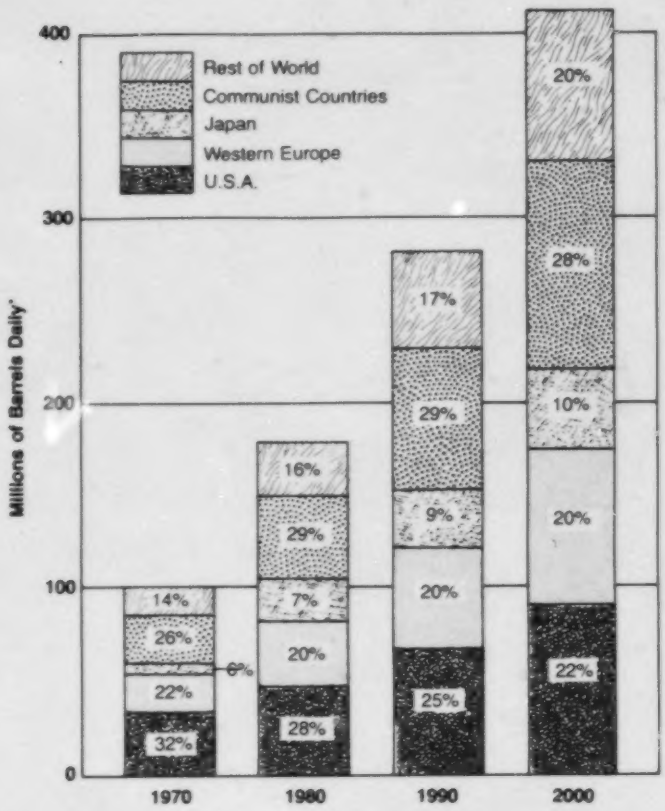
b. _____

c. _____

d. _____

5. In addition to the need for oil and the supply of oil, what other factors will influence what nations will be trade partners?

(Possible answers include: Various combinations of 2 and 3 above. Depending on level of sophistication, it should be pointed out that some countries have strained relations, thus trade is not as likely.)



*All sources of energy expressed as equivalent to crude oil.

Source: *Energy in the Global Market Place*, U.S. Dept. of Energy, NSTA, Ex 76C-10-3841.

Figure 5-5 World Energy Consumption: 1970-2000

Task 6: World Energy Consumption

As we move into the last two decades of the twentieth century, world energy consumption is expected to grow. Look at Figure 5-5.

1. What was the daily world energy consumption in 1970?

(100 millions of barrels daily, expressed as equivalent to crude oil.)

2. What is the predicted daily consumption by 2000?

(Slightly over 400 million barrels daily.)

3. In 1970 what percent of the total world's daily consumption did the United States use? (32% of the world's energy consumption.)

4. What trend is predicted for the United States in its use of the world energy supplies? A smaller or larger percentage?

(A smaller percentage, but a continued increase in energy use.)

5. Since there is a limited amount of oil in the ground, what possible conflicts can you see developing in international relations over the increased competition between regions of the world for available supplies of oil? Base your answers on the trends you see in the graph.

(As the demand for energy increases there will be more pressure to expand production of oil in all parts of the world. Threats to cut off oil supplies to any one country or region would lead to conflicts between nations. For example, the United States, Western Europe, and Japan—three highly industrialized areas—are highly dependent on imported oil. The chart also shows that the Third World countries will be consuming more energy, thus increasing the competition for oil supplies. The energy question is likely to remain a problem through the last two decades of the twentieth century.)

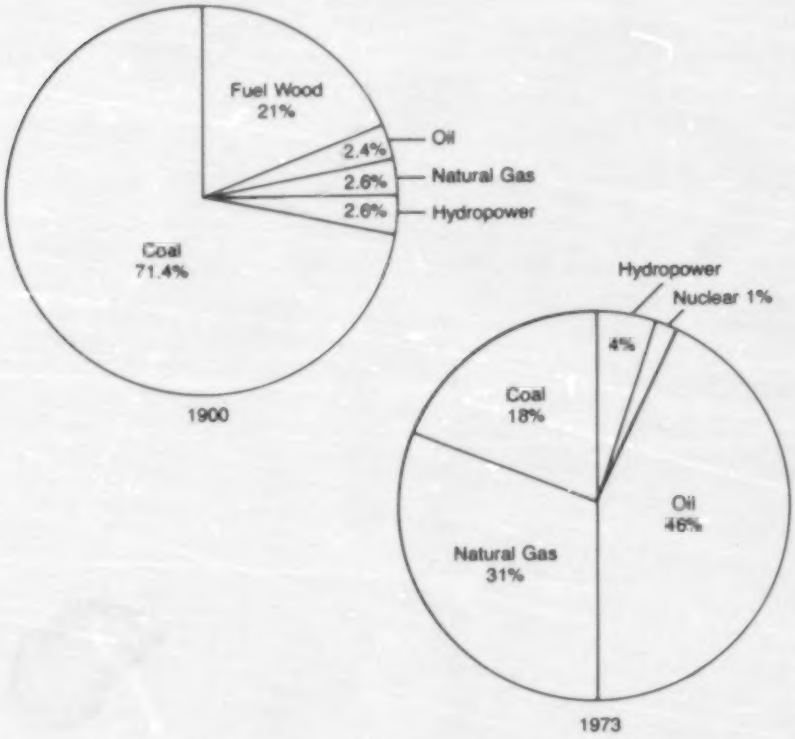
Task 7: Sources of Energy

Study the two circle graphs in Figure 5-6 and answer the questions that follow.

1. What major source of fuel was used in 1900 but does not appear on the 1973 graph? (Wood)

2. What source of fuel was used in 1973 but not in 1900?

(Nuclear energy)



Source: *Mathematics in Energy*. U.S. Dept. of Energy; Prepared by NSTA—Contract #EX-76-C-10-3841, 1977.

Figure 5-6 Sources Of Energy, 1900 and 1973

3. What percent of U.S. energy came from fossil fuels (coal, oil and natural gas) in 1973? (95%)

4. From listening to the news or reading newspapers or magazines, what two sources of energy that are included in Figure 5-7 would you expect to increase in importance by the year 2000?

(Coal and nuclear power)

5. What about the year 2225? What energy sources might appear or disappear as major U.S. energy sources?

(We would hope that various alternative sources will be developed; nuclear energy may expand, depending on public attitude and safety considerations; solar, wind, geothermal, biomass, magnetohydrodynamics, and hydrogen may be available.)

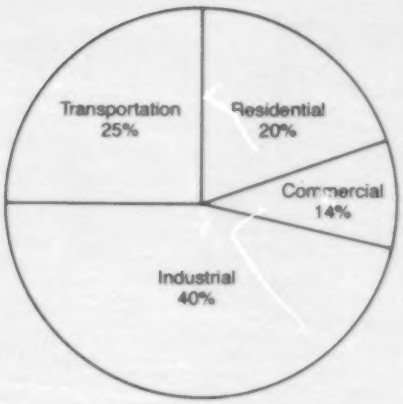


Figure 5-7 Energy Consumption in the U.S.

Task 8: Energy Consumption in the U.S.

The circle graph in Figure 5-7 gives a breakdown of energy consumption in the U.S.

1. Looking at Figure 5-7, list two of the four areas where you and your family can work to cut down on energy use:

   a. (Transportation) _____

   b. (Residential) _____

2. Examine the data in Tables 5-1 and 5-2 and answer the questions that follow.

   a. Which type of urban transportation listed in Table 5-1 gets the most miles from each gallon (MPG) of gasoline?

   (Car) _____

   b. Look at Table 5.2. Which uses the *most fuel* for a 20-mile trip into the city?

   (Train) _____

TABLE 5-1 Fuel Mileage for Types of Urban Transportation

Types of Urban Transportation	Fuel Mileage—Average (MPG = miles per gallon)
Automobile	18 MPG
Van	16 MPG
Bus	3.3 MPG
Commuter Train	.1 MPG

TABLE 5-2 Fuel Efficiency of Different Forms of Transportation

Form of Trans-portation	Number of People	MPG	Fuel Needed for 20 Mile Trip (In Gallons)	Fuel Per Person (PMPG)
Car	1	18	1.11	1.11
Car	2	18	1.11	.56
Car	4	18	1.11	.28
Van	1	16	1.25	1.25
Van	2	16	1.25	.630
Van	8	16	1.25	.165
Bus	5	3.3	6.1	1.2
Bus	20	3.3	6.1	.31
Bus	40	3.3	6.1	.15
Train	1,000	.1	200	.20

Note: Passenger miles per gallon are arrived at by dividing the number of people into the amount of fuel used.

Source: *Transportation and the City*, U.S. Dept. of Energy, NSTA, 1977.

c. Which uses the *most fuel per person* for a 20-mile trip into the city?

(Van with one person)

d. Which uses the *least* amount of *fuel per person* for this trip?

(Bus with 40 people)

e. If the 1,000 people who rode on the commuter train drove a car to the city instead, how much additional fuel would be used?

(910 gallons (1.11 gallons × 1,000 people = 1,110 gallons minus 200 for train.)

f. How much fuel is saved by having 40 people ride a bus instead of using 20 cars with two people in each car?

16.1 gallons (20 × 1.11 = 22.2 minus 6.1 for bus)

g. Are mass transit systems, such as buses and commuter trains, *always* more efficient than cars? Explain.

(Mass transit types of transportation are energy efficient when they are running with full passenger loads.)

h. Tables 5-1 and 5-2 include some major types of urban transportation. Can you list additional methods of urban transportation?

(Bicycle, motorcycle, monorail, subway, rapid transit trains, mini-buses, walking.)

i. Suppose the mayor of your city appointed you as the new director of mass transit systems. He or she wants your ideas on methods to increase the use of public transportation in your city. Write a letter to the mayor outlining your proposals.

(Encouraging people to use mass transit facilities continues to be very difficult. While we may want people to use them because they are more energy-saving, in reality people will probably not use them unless they can save money and time and have greater convenience than they do with their cars. There are some things that city governments can do to increase the use of mass transit facilities. These include raising parking fees, reducing the number of parking lots, reducing the cost of public transportation (governmental subsidizing), providing better services (minibuses) to get customer to and from train or bus stations. While these may be helpful, they have not always proved to make dramatic changes from private to public transportation. Encourage students to invite a resource person to visit the classroom to explain what is happening in your local area.)

Task 9: Cutting Petroleum Consumption

One of the ways of making our existing supplies of petroleum and natural gas last longer is to conserve energy. Let us assume that it becomes necessary to cut back on our use of energy substantially. The following are proposals to accomplish this task. Your task is to work with members of your family and rank these proposals from most desirable (No. 1) to least desirable (No. 10).

1. Impose a tax to increase the price of gasoline by $1.00 a gallon to cut down on gasoline use.

2. Increase the age at which a person can get a driver's license from 16 to 21.

3. Lower air pollution standards so industries can burn high sulfur coal rather than oil or natural gas.

4. Ban all students from driving to school if bus transportation is available.

5. Close gasoline stations on Sunday.

6. Ration gasoline so every driver can obtain only a certain amount.

7. Let the price of gasoline fluctuate; if demand remains the same and the supply decreases, the higher prices will encourage conservation.

8. Require all schools to have a three-month winter break rather than a three-month summer break to save fuel.

9. Ban the use of recreational vehicles like minibikes, snowmobiles, and motor boats.

10. Lower pollution standards on new cars so they can get better mileage.

Most desirable	*Rank*	*Proposal Number*
↓	1	____
	2	____
	3	____
	4	____
	5	____
	6	____
	7	____
	8	____
	9	____
Least desirable	10	____

(Rankings will vary depending on preferences of the person doing the ranking. Increasing temperature of homes and public buildings in summer and decreasing thermostat in winter, cutting cost of public transportation to increase use, using bicycle and walking for shorter trips.)

Other suggestions: _____

_____

_____

_____

_____

Price Changes and Money Management

CHAPTER 6

ORGANIZER

The idea of exchanging money for goods or services was an important invention. Barter, the exchange of one good for another, could not meet the needs of a modern technological economy.

People's security is affected by the value of money. Inflation—rising prices over a period of time—makes savings less valuable unless interests on savings accounts keep pace with inflation. As prices go up, people are able to buy less and less for each dollar they spend. Activity 1 was designed to give you a better understanding of inflation.

We are all money managers. How can we make the best use of the incomes we have? Should you buy your lunch or pack it? Go to a movie or stay home and listen to records? What about longer range plans? What part of your current income will you need to save to have money for college, down payment on a car, car insurance, or clothes for next fall? Activity 2 looks at planning ahead and managing your money to help you achieve your own personal goals.

ACTIVITY 1: Inflation

In March of 1980, Celia Washington paid $9.95 for a pair of jeans at the Pantry in Athens, Georgia. During August, Claudia, a friend from Cedar Falls, Iowa, was visiting her. Claudia wanted a pair of jeans just like Celia's. When they went to the Pantry, Claudia was able to find what she wanted. The price was now $10.55.

During the six-month period the price of the same pair of jeans went up $.60. In our economy it is normal for some prices to go up while some prices come down. However, to the two girls it seemed that most prices were going up and very few going down! This was true for as long as they could remember, prices just seemed to be going up and up.

The pair of jeans was just one example. The Washington's cost of living—medical care, gasoline, the cost of heating and air conditioning their home, etc.—had been rising. To help meet these increasing costs, Celia's family had made some changes in the way they lived.

- In May of 1980 Celia's mother went back to work to help pay the bills.
- Her father stopped driving the family car to work and started taking the bus.
- The family didn't go on vacation that summer.
- They turned the thermostat up to keep the cooling costs down.

Celia was also feeling the pinch—fewer back-to-school clothes, records, movies, etc. Celia and her family, like other families in the U.S., were experiencing the effects of inflation—a period of rising prices.

Measuring Price Changes

It is important to keep track of how much prices have changed over a period of time. Are prices going up? If so, how much and how fast? People in government need to know about price changes so they can make better plans. Workers and labor union leaders want to keep close watch on the cost-of-living so that they can negotiate pay contracts. People in business keep track of price changes so they can make better decisions. Consumers have an interest in price changes for the goods and services they purchase.

Task 1: Price Changes

The measure of price changes that you usually hear about is the "cost of living," or Consumer Price Index (CPI). The Consumer Price Index measures changes in the price of typical goods and services. This "market basket" of some 400 goods and services includes items like basketballs, used cars, cough drops, medical costs, breakfast cereals, etc. Some items may go up and some down during a given period of time. Figure 6-1 shows the consumer price index for 1980 and 1981. To better understand how the CPI works, let's look at the cost of a pair of jeans. Use the following formula:

$$\text{Price Index} = \frac{\text{Current price (s)}}{\text{Base price (s)}} \times 100$$

$$\text{Jeans Example: } \frac{\$10.55 \text{ (Price in August 1980)}}{\$9.95 \text{ (Price in March 1980)}} \times 100 = \text{Price Index} = 106$$

In this example, the price of a pair of jeans increased by 6 percent from March to August, 1980.

> Note: How high is high? Some consider that inflation becomes a problem when the inflation rate is 3 percent or more per year.

Following are four items; the cost per item were taken from the Stockton Record in Stockton, California. The base year in 1977 and the comparison year is 1979.

Item:	*Base Year* 1977	*Comparison Year (Current Price)* 1979
Peanut butter, 18-oz jar	.79	.99
Cola drink, 6-pack, 12-oz cans	.96	1.49
Eggs, large Grade AA, 1 dozen	.59	.75
Gasoline, 1 gallon, premium	.77	1.09

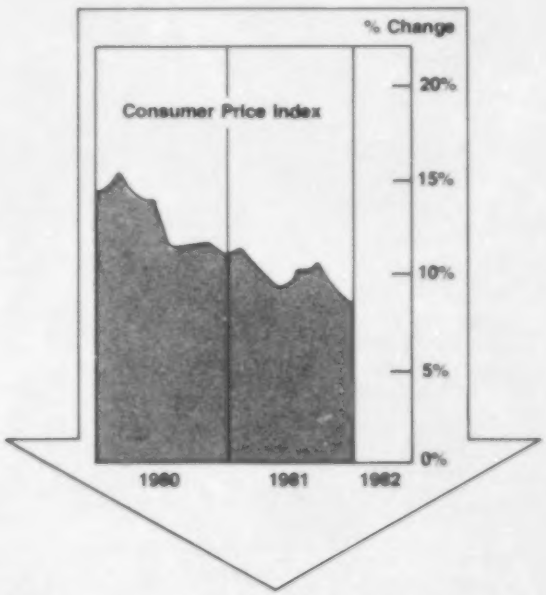
1. Using the formula on page 70, compute the price index for each item:

a. (125.3) _____ Peanut butter

b. (155.2) _____ Cola drink

c. (127.1) _____ Eggs

d. (141.6) _____ Gasoline



Source: American Enterprise Institute; NEA/Mark Gabrenya.

Figure 6-1 Consumer Price Index: 1980 and 1981

2. Give the percent of increase for each item.

a. (25.3%) _____ Peanut butter

b. (55.2%) _____ Cola drink

c. (27.1%) _____ Eggs

d. (41.6%) _____ Gasoline

3. *Directions*: For this exercise you will need an ad from your local newspaper or to visit your local market to get current price information. For information from the year you select as your base year, you may need to check old newspapers in your school library or the local community library to get the information needed.

   - Identify ten items. Since you will be comparing prices for the two time periods, make sure you identify the exact product and size.
   - Calculate the price index for each of the items on the list.
   - Calculate the price index for the entire 10 items.

Be prepared to discuss the questions in your class.

Name of Item (be specific)	Prices		Price Index
	Base Date	Current Date	
(The answers will depend on items selected.)			
TOTAL			

Formula:

$$\frac{\text{Current Price}}{\text{Base Price}} \times 100 = \text{Price Index}$$

4. After you have completed item 3 above, use the information to answer the following questions.

(The answers will depend on list selected, current inflation rate, and interest of students. For item e, inflation hits people on fixed incomes particularly hard. Also, all income levels are adversely affected if income increases do not keep pace with price increases.)

a. The price index for my 10 items is _____

b. The percentage increase or decrease for the 10 items is _____

c. What individual item on your list increased most?

_____

Least? _____

d. Which price change surprised you most? _____

e. From listening to the news or reading news reports, which groups in your community are hit hardest by inflation? older people? poor families? middle income families? wealthy people?

_____

_____

f. Compare the price index for the 10 items on your list with the following national annual inflation rates. Which period of this since 1952 most nearly matches the price index of your list? _____

Year	Average Inflation Rate Per Year
1952-65	1.2%
1965-70	4.2%
1970-75	6.7%
1976-80	8.7%

h. Using outside resources—TV, radio, newspapers, or magazines—what is the current rate of inflation?

_____

Note: Inflation was a problem in other countries during the 1970s. The examples below show the inflation rate for 1979 in selected countries:

Canada 9.1%	West Germany 4.1%	Italy 14.8%
France 10.8%	United Kingdom 13.4%	Japan 3.6%

Task 2: Causes of Inflation

During the late 1970s and early 1980s, people in the U.S. and around the world have become more aware of inflation because we have been living with increasing prices. What causes inflation? Some say too much money in the economy and too few goods. Others argue that higher cost of labor, materials, and energy are pushing prices up. Some argue that inflation is caused by government policies—taxing, borrowing, environmental protection laws, spending, etc. Who is right? The fact is that there is no one cause for inflation, but strange as it may seem, inflation can occur because people believe and act as if it will continue. Business people, worried because they believe their costs will be going up, may raise prices ahead of time. Workers and labor unions, believing that prices will be going up, pressure for higher wages. Consumers, believing that prices will go up in the future are sometimes willing to borrow more, spend more, and save less. The higher consumer demand leads to higher prices.

1. Read "What Happened to the 5¢ Candy Bar?" and complete the exercise that follows.

What Happened to the 5¢ Candy Bar?

In 1974, the price of sugar skyrocketed. American manufacturers of chocolate bars, forced to pay more for the sugar, passed their increased cost along to the consumer. The result—a 15¢ candy bar. Then in 1977, bad weather in Ghana and Brazil damaged the cocoa bean crop. Fewer cocoa beans were available for sale. To make matters worse, people in other countries were eating more chocolate. The manufacturers in those countries were also looking to buy sugar and cocoa beans. The combined shortage of cocoa beans and increased demand drove prices up. We now had a 25¢ candy bar.

Look at Table 6-1. Using the information in "What Happened to the 5¢ Candy Bar?", the exercise examines two possible causes of inflation—"demand pull" and "cost push."

2. An increase in the price of some products, such as petroleum, can influence the cost of many goods and services: List at least two ways in which an increase in petroleum prices have an effect on the cost of producing chocolate.

   a. (Sample answers include: higher transportation, heating, and cooling costs.)

   b. _____

3. Are the effects of an increased price of petroleum on the price of the candy bar an example of demand-pull or cost-push inflation?

   (Cost-push.)

Directions: Complete Column 3 by using examples from "What Happened to the 5¢ Candy Bar?"

TABLE 6-1 Causes of Inflation

Column 1 Cause of Inflation	Column 2 Definition and Example	Column 3 As illustrated in the case of "What Happened to the 5¢ Candy Bar"
Demand-Pull	When the demand for goods and services is greater than the available supply of them, prices go up. For example, if more people want houses than there are houses, the greater demand will pull the price of all houses up.	(As people and manufacturers in other countries wanted more chocolate, the prices of sugar and cocoa beans went up.)
Cost-Push	When the cost of doing business goes up, producers have to raise the prices of the goods or services they sell. For example, if home builders pay higher wages to workers and the costs of building materials go up, the increased cost may push up the price of the home.	(Bad weather in Ghana and Brazil damaged cocoa bean crop and the price of available beans went up; also the price of sugar was higher. Combined cost of beans and sugar helped to push costs of producing candy bars up.)

4. In some cases, government regulations also add to inflation. From listening to TV, radio, or reading the newspapers or books, explain how laws relating to clean air might have an impact on the cost of producing a bar of candy.

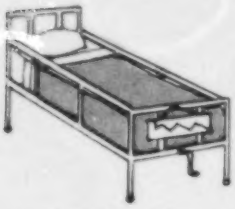
(Meeting air quality standards requires that companies install new equipment. The new equipment may also increase utility bill and other costs. These costs will likely be passed on to consumers. You may want to explore the benefits as well as the cost of governmental regulation to protect the environment.)

Task 3: The Effects of Inflation and What to Do About It

People in the United States were faced with increasing prices during the ten-year period between 1970 and 1980. Table 6-2 gives some examples of what that ten years did to the consumer's dollar.

If inflation were to continue at about the same rate as during the late 1970s, the median family income will be about $112,000 in the year 2000. Before you get too excited, take a look at some prices you would face in the year 2000 and compare them with 1975 prices.

Hospital Room

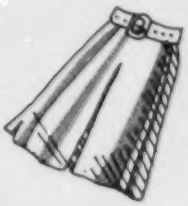


1975— $75
2000—$290

New Home

1975— $40,000
2000—$622,000

Woman's Wool Skirt



1975—$11.00
2000—$53.00

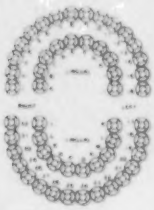
Movie Admission

1975—$2.25
2000—$8.00

Man's Pair of Shoes

1975— $28.00
2000—$167.00

Having a Tooth Filled



1975—$11.00
2000—$50.00

TABLE 6-2 Twenty-Four Prices and How They've Changed: 1970-1980

	1970	1980	Increase		1970	1980	Increase
Eggs (dozen)	$ .62	$ .81	31%	Man's haircut	$ 2.61	$ 4.82	85%
Man's dress shirt	$ 6.97	$ 10.41	49%	Milk (half gal)	$ .58	$ 1.09	88%
Refrigerator	$288.62	$446.30	55%	Permanent wave	$14.61	$ 27.85	91%
Auto tire	$ 33.84	$ 52.69	56%	White bread (lb)	$ .25	$ .49	96%
Bacon (lb)	$ .97	$ 1.56	61%	Potatoes (lb)	$ .09	$ .18	100%
Pork chops (lb)	$ 1.19	$ 1.91	61%	Hamburger (lb)	$ .67	$ 1.41	110%
Washing machine	$228.20	$378.49	66%	Round steak (lb)	$ 1.32	$ 2.83	114%
Cigarettes	$ .43	$ .73	70%	Butter (lb)	$ .87	$ 1.89	117%
Chicken (lb)	$ .39	$ .67	72%	Bus fare	$ .35	$ .87	149%
Movie ticket	$ 2.02	$ 3.49	73%	Hospital room (semiprivate)	$54.42	$156.52	188%
Tomatoes (lb)	$ .30	$ .52	73%	Gasoline (premium, gal)	$ .38	$ 1.33	250%
Eyeglasses (with exam)	$ 41.44	$ 74.85	81%	Coffee (lb)	$ .95	$ 3.48	266%

Note: Above numbers are national averages.

Source: *U.S. News & World Report*, Sept. 8, 1980 (Basic data U.S. Departments of Labor and Education).

What to do about inflation? Here is where the job gets tough. As we stated earlier, just believing that inflation will continue causes people to behave in ways which feed inflation. Government solutions, while aimed at solving one problem, can be a cause of others. Getting the right mixture of policies to slow the rate of inflation has not been easy.

There are several suggested methods of slowing inflation. The problem has been that in the 1970's and into the 1980's the methods just haven't worked. Let's take a look at demand-pull and cost-push again in Table 6-3.

Table 6-3 Governmental Actions Aimed at Cutting the Inflation Rate

Type of Inflation	What Needs to Be Done	Possible Action by Government
Demand-pull	Demand-pull inflation is sometimes referred to as too many dollars chasing too few goods. We need to discourage buying in the short run and increase production in the long run.	1. Decrease the money supply by decreasing the amount of money (currency and checking accounts). 2. Increase taxes. 3. Increase interest rates on loans to discourage borrowing. 4. Increase interest rate on savings accounts to encourage savings.
Cost-push	Keep the costs of labor and materials from increasing at a high rate and pushing costs of production up, thus increasing prices.	1. Wage controls and/or guidelines. 2. Price controls on certain key inputs to production, i.e., natural gas, oil.

The problem, once again, is that even though the possible solutions have been tried, they have not always worked effectively.

1. Government officials who pass laws are elected by the people. Looking at the possible actions to cut inflation, why do you think lawmakers are sometimes reluctant to take action to cut the inflation rate? _____

(Action by peoples in government, such as increased taxes, increased interest rates, wage and price controls, are not always popular. Politicians may feel that taking unpopular action makes it difficult to get re-elected.)

2. Explain in your own words how attitudes of people influence inflation.

(If consumers feel that inflation will get worse, they may be willing to purchase more now and save less. If business people feel that inflation will get worse they may be more willing to accept higher wage demands by employees and in turn raise prices on their products. If workers and labor union leaders think that prices will go up, they will bargain to increase their wages and benefits. All of the above attitudes tend to add to inflationary pressures.)

3. Some action by government, while attempting to solve one problem, sometimes causes others. For example, an increase in taxes means that consumers have less money to spend. With consumers spending less, producers may have to cut back on production. When producers cut back on production, what happens to the number of workers employed in the business?

(Cut back in production often leads to higher unemployment. In fact, by early 1982 unemployment had replaced inflation as the number one concern of Americans.)

4. From listening to TV and radio or reading the newspapers and magazines, explain why higher and higher energy costs add to our inflation problems. (Higher energy prices increase production costs all along the line.)

ACTIVITY 2: Managing Your Money

We all manage our money. Some of us manage it poorly, others manage theirs more carefully.

Task 1: Money Managers

1. How would you describe a poor money manager? _____

(A person who does not make wise use of his or her income. Student responses will vary—spends more than one makes, wastes money, doesn't save, and doesn't plan ahead.)

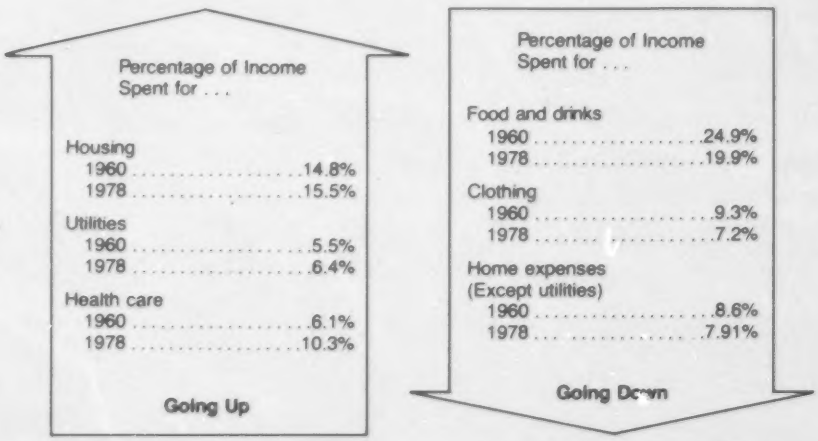
2. How would you describe a good money manager? _____

(A person who makes wise use of his or her income. Student responses will vary—plans ahead, lives within means, budgets money, saves some for a rainy day.)

Task 2: Budgeting Your Income and Expenditures

A budget is a plan for managing money. One way of setting up a budget is to list your income, determine how much you want to save, and then plan how you will spend the money you have left. It doesn't always work that way. Take Mary for example. Mary made a list of things she wanted to do: the offering at church, entertainment, lunch money, bus fare, etc. She also had some longer range plans—new clothes, and money for the end of the year party. She calculated how much income she needed and then looked at how she could earn the money—allowance, part-time jobs, paper route, etc.

Unlike Mary, many families have a set monthly income. Each family makes decisions about how to spend that income. Figure 6-2 shows what percent of the average family budget went for housing, utilities, health care, food, clothing, and home expenses (except utilities) in 1960 and 1978.


Percentage of Income Spent for . . .
Housing
1960 . . . . . 14.8%
1978 . . . . . 15.5%
Utilities
1960 . . . . . 5.5%
1978 . . . . . 6.4%
Health care
1960 . . . . . 6.1%
1978 . . . . . 10.3%
Going Up
Percentage of Income Spent for . . .
Food and drinks
1960 . . . . . 24.9%
1978 . . . . . 19.9%
Clothing
1960 . . . . . 9.3%
1978 . . . . . 7.2%
Home expenses (Except utilities)
1960 . . . . . 8.6%
1978 . . . . . 7.91%
Going Down

Source: U.S. Dept. of Commerce.

Figure 6-2 Percentage of Family Budget Spent for Selected Items, After Taxes

Some family expenses, such as house or rent payment, car insurance, and medical insurance are fixed. That is, they are not likely to vary from one month to another. Other expenses, such as food, clothing, and entertainment vary depending on choices a family makes.

1. The average family income in 1960 was $5,620. In 1978 it was $17,640.
   a. Using the information in Figure 6-2, calculate the dollar value that the average family spent for utilities in 1960?

   ($309.10)

   b. What is the dollar value that the average family spent for utilities in 1978?

   ($1,128.96)

2. From listening to the news and other sources of information, describe why utility costs have been going up.

   a. (Electricity: higher cost of fossil fuels, which provide much of our electric power.)

   b. (Heat: natural gas and heating oil are both petroleum products, whose costs have been going up.)

3. Using outside resources and your own personal knowledge, list three ways a family can cut the cost of their utility bill?

   a. Sample answers include: a. Lower thermostat in winter.

   b. b. Raise thermostat in summer.

   c. c. Turn out lights, TV, radio, when leaving a room.

4. Looking at the Figure 6-2, what figure or figures surprise you most? Explain your answer.

   (Answer depends on students. The fact that the percentage of average income that was spent for some expenses has gone down may be a source of surprise.)

5. Develop a budget for one month by first estimating your income and then estimate your expenses. (You may want to use the Personal or Family Financial Record (page 81) or modify it.) Explain how a budget could be helpful to you.

   (Students budget will depend on income and expenditure. Budget generally serves as a guide to better planning.)

6. Identify a young married couple in your community and complete the Personal and Family Financial Record below. (An alternative would be to invite a young married couple to visit your class to discuss financial planning.)

> Note: Visit or invite a financial planner to your classroom to talk about:
> savings plans — insurance program
> investing plans — credit — budget planning

Personal or Family Financial Record for One Month

I. Income: (If you feel that people would be reluctant to disclose their incomes and expenses, you could provide hypothetical figures for the students.)

Total monthly income (gross income) $_____

Subtract taxes (federal, state, Social Security) $_____

Total Income Available to Spend: (disposable income) $_____

II. Expenses:

1. Fixed Expenses (These are expenses where the amount is known.)

a. Rent or house payment $_____

b. Car insurance $_____

c. Car payment $_____

d. Furniture payment $_____

e. Life insurance $_____

g. Subscription to magazines and newspapers $_____

h. Other $_____

Total Fixed Expenses $_____

2. Flexible Expenses (These are expenses where the amount varies depending on the amount you use.)

   a. Food $_____

   b. Utilities (water, garbage, natural gas, electricity, etc.) $_____

   c. Clothing $_____

   d. Transportation (gasoline, bus fare, etc.) $_____

   e. Entertainment $_____

   f. Gifts $_____

   g. Other (school supplies, hair cuts, etc.) $_____

   Total Flexible Expenses $_____

3. Total Expenses (Fixed Plus Flexible) $_____

III. Amount Remaining or Amount Short (Income – Expenses = Final Accounting) $_____

IV. What are the major problems you face in meeting your financial needs?

_____

_____

_____

_____

_____

_____

_____

Government in the Economy

CHAPTER 7

ORGANIZER

There are many terms that are used to describe our economic system—free enterprise, private enterprise, and capitalism are three examples. In our economy people in government, consumers, and producers are all involved in deciding what to produce, how to produce it, and who gets what is produced in our economic system.

While the vast majority of decisions are made by consumers and producers in the market, the government plays an important part in our economy. The rightful role of government is not always agreed upon by everyone. Some argue that the government exercises too much influence. Others argue that the government is not active enough. Even though there is disagreement about the rightful role of government, few would disagree with the fact that the government plays an important role in our economy. Let's look at five of the roles of government:

1. An aid to private business. The government provides some direct aid to businesses—loans, enforcing contracts, etc. Indirect aids include highway systems, harbors, water works, and bridges. Government also provides indirct aid to businesses in the form of information on employment, copyrights, and trademarks to protect the creative efforts of individuals and businesses.

2. A regulator that seeks to promote competition, supervises public utilities, establishes product safety standards, enforces environmental protection laws, etc.

3. A producer and consumer of goods and services.

4. A protector of human rights. The government sets minimum wage laws, sets health and safety standards,

and seeks to prohibit discrimination based on age, sex, race, creed, or color.

5. An aid to individual citizens. The government provides income security and health care for some people through such social insurance programs as unemployment insurance and Social Security. The government also provides income security for some people through public welfare programs like Aid to Families with Dependent Children.

Understanding the role that government plays in our economy is an important step in understanding how our economy works. The activities that follow provide a closer look at:

- the income and expenditure of government
- the increasing tax burden required to pay for government goods and services
- unemployment in the U.S. economy

ACTIVITY 1: Federal Income and Expenditure

In this section you will be examining federal government income and expenditure for 1970 and 1979.

Task 1: Federal Government Income

1. Looking at the receipts in Figure 7-1, individual income taxes were the major source of income in both 1970 and 1979. Did the percentage of income from individual income tax go up or down between 1970 and 1979? (Remained about the same.)

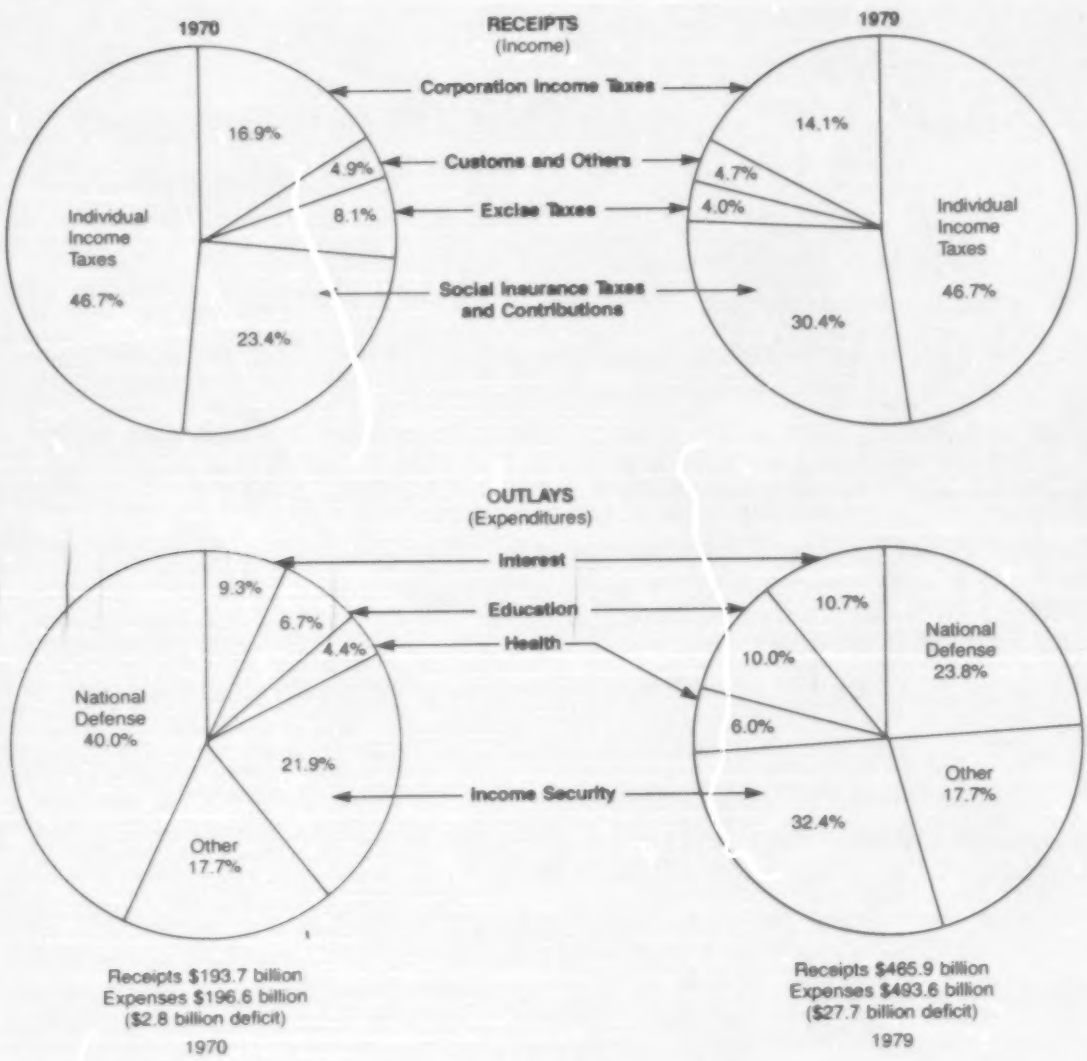
2. Compute the dollar value of individual income taxes paid in:

   1970 (46.7% of $193.7 billion = $90.5 billion)

   1979 (46.7% of $465.9 billion = $217.6 billion)

3. While the federal government's percent of income from income taxes was the same in 1970 and 1979, what happened to the amount of money paid by taxpayers?

   (Amount went up from $90.5 to $217.6 billion)



Source: Chart prepared by U.S. Bureau of the Census; data from the U.S. Office of Management and Budget.

Figure 7-1 The Annual Federal Budget: 1970 and 1979

4. What figure (s) in the receipts portion of Figure 7-1 is most surprising to you? Explain your answer.

(Answer depends on student.)

Task 2: Federal Government Expenditures

1. Looking at the expenditures portion of Figure 7-1, what percent of government spending went for

   a. Health

   1970 (6.7%) _____ 1979 (10.0%) _____

   b. *National Defense

   1970 (40.0%) _____ 1979 (23.8%) _____

   c. Income security

   1970 (21.9%) _____ 1979 (32.4%) _____

2. What was the dollar value spent on:

   a. National defense

   1970 (40% of $196.6 billion = $78.6 billion) _____ 1979 (32.4% of $493.6 billion = $117.5 billion) _____

   b. Income security

   1970 (21.9% of 196.6 billion = $43.1 billion) _____ 1979 (32.4% of $493.6 billion = $159.9 billion) _____

3. What categories of federal government spending increased (percentage-wise) between 1970 and 1979?

   (Increased—Interest, Health, Education, Income Security)

4. What categories of federal government spending decreased (percentage-wise) between 1970 and 1979?

   (Decreased—National Defense)

5. What figure (s) of the expenditures is most surprising to you? Explain your answer.

   (Response depends on student.)

*During 1970 the U.S. was involved in the war in Vietnam.

Task 3: Comparing Federal Income and Expenditures for 1970 and 1979

1. a. Again looking at Figure 7-1, how much income did the federal government have in 1970?

($193.7 billion)

b. How much was the federal government expense in 1970?

($196.6 billion)

c. Was the government's income greater or less than its expense in 1970? (Expenses greater by $2.9 billion)

How much? _____

2. a. How much income did the federal government have in 1979? ($465.9 billion)

b. How much was the federal governmement expense for 1979? ($493.6 billion)

c. Was the governments income greater or less then expenses in 1979? (Expenses greater by $27.7 billion)

3. What percent of government spending went to pay the interest on government loans in 1979? (10.7%)

Task 4: The Federal Debt

In 1979 the government spent approximately $10.70 out of every $100 (10.7%) it spent to pay the interest on money it borrowed. By 1981 the federal government debt had reached 1 trillion dollars ($1,000,000,000,000).

During the past 50 years, the federal government has spent more than it has taken in. To bridge the gap between income and expenditure the government has to borrow. The government does this by issuing bonds, notes, and bills, which are promises to pay money back to investors willing to lend it. In the main, the federal government owes the 1 trillion dollars to Americans. Only about 14% of the public debt is owed to foreigners.

Economists and others worry about the size of the debt primarily because interest charges on it have become a major budget ex-

penditure. In 1981 the interest payment was approximately 96.5 billion dollars, the third largest item in the federal budget.

1. Using outside resources (newspaper, magazine, *Statistical Abstract*) answer the following questions.

   a. What is the size of the national debt for the current year?

   (Depends on current year information.)

   b. What percentage of the current federal budget goes to interest on the debt? _____

   c. What is the estimated federal income and expenditure and surplus or deficit for the current year:

      (1) Income _____

      (2) Expenditure _____

      (3) Difference (surplus or deficit) _____

Task 5: The Mounting Tax Burden

Figure 7-1 on page 85 shows the sources of income for the federal government. However, as you know, citizens in the U.S., in addition to paying federal taxes, also pay state and local taxes. Look at Figure 7-2. It shows how increased government spending—federal, state and local, has meant taxpayers are now paying a larger percent of their income for taxes.

Using the information in Figure 7-2, answer the following questions.

1. In 1950, how much did the average citizen pay in taxes for every dollar of income received? (27¢) _____

2. In 1980, how much did the average citizen pay in taxes for every dollar of income received? (35¢) _____

3. In 1950, what was the total amount of federal taxes?

   (Federal: $48.6 billion)

   State and local taxes? (State and local: $16.4 billion) _____

4. Comparing the amount of federal taxes with the amount paid in state and local taxes, which has been growing at a faster pace since 1950?

   (Fourteen times as much state and local taxes were collected in 1980 than in 1950; for federal taxes the multiple is 10.7.)

1950
1960
1970
1980
27¢ Out of Every $1 Federal Taxes $48.6 Billion State and Local Tax $16.4 Billion
31¢ Out of Every $1 Federal Taxes $93.5 Billion State and Local Tax $37 Billion
34¢ Out of Every $1 Federal Taxes $184.7 Billion State and Local Tax $91.8 Billion
35¢ Out of Every $1 Federal Taxes $520.4 Billion State and Local Tax $229.9 Billion

Source: *U.S. News & World Report*, March 30, 1981.

Figure 7-2 The Mounting Tax Burden
All Taxes—Federal, State, and Local: 1950-1980

5. Why do you think taxes have been rising over the past 30 years?

(Variety of answers.)

ACTIVITY 2: Unemployment

The government has a number of programs to help people who are temporarily unemployed or who are preparing to move into the job market. Table 7-1 provides several examples of how the federal government works with state and local job assistance programs.

Table 7-1 Selected Federal Job Assistance Programs (Estimated 1978-79)

	Costs
Temporary employment assistance	6 billion
Employment and training assistance	4 billion
Employment services	720 million
Community services program for training and employment	526 million
Work-incentive program	352 million
Community-sevices employment for older Americans	40 million

Source: *U.S. News & World Report*, June 12, 1978.

Finding a job and supporting one's family is a goal of U.S. workers. However, in early 1980 approximately 6.9 million people were out of work and looking for a job. These 6.9 million people represented approximately 6.6 percent of the labor force. Since 1965 the annual unemployment rate has been as low as 3.5 percent and as high as 10.3 percent.

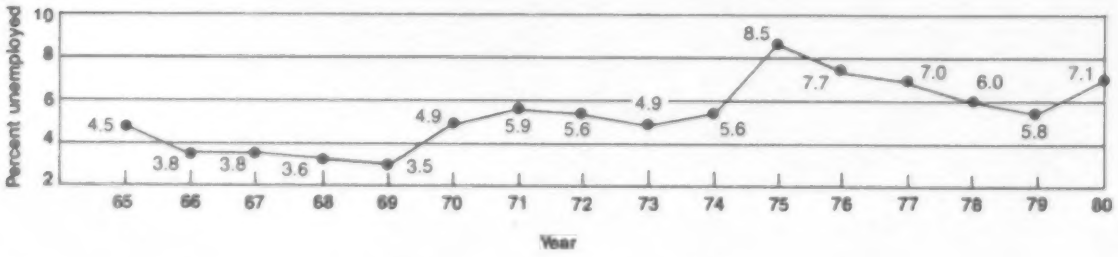


Figure 7-3 Annual Rate of Unemployment In the United States: 1965-1980

People are unemployed for a variety of reasons. Take for example:

- Betty Jane Smith, a 1981 high school graduate, worked in a plant that made plywood. During the business slump in 1981 the demand for plywood went down and the company cut production. Being a new employee Betty Jane was laid off after only 4 months on the job.
- Bob Taggart recently graduated from high school. He had a part-time job in the recreation department during the summer but that ended when the kids went back to school. He has been looking for a job but has not had any luck.

- Ruby Ramirez was working but quit her job to have her second child. She is now ready to go back to work. Her previous employer would like to hire her back but there are no jobs at the present time.
- Harold H. Higgins worked on an assembly line in a factory making tractors. When the company installed a new piece of automated equipment, Harold's job was eliminated. Harold has been out of work for two months. He has been thinking about moving to another community, but he hates to move away from his friends and family.
- Charlotte Randolph-Carter was working in the design section of a small dress manufacturer. The company moved its plant to another state, and Charlotte was not willing to make the move. She is looking for another job.
- Mike Walker was a truck driver but he missed a lot of work. His boss fired him.

Task 1: Some Reasons Why People Become Unemployed

1. Looking at the above list of workers, list at least one reason why the worker became unemployed.

Example	Why worker became unemployed
Betty Jane Smith	(Downturn in business for the employer)
Bob Taggart	(Seasonal work)
Ruby Ramirez	(She quit job to have a child.)
Harold Higgins	(Technological changes; he was no longer needed.)
Charlotte Randolph-Carter	(Company moved but worker unwilling to relocate.)
Mike Walker	(Not a dependable employee.)

2. The above is a partial list of reasons why people became unemployed. In this activity, talk with a person in your community who is unemployed and ask the following questions:

   a. Are they receiving unemployment insurance payments?

   (Answers depend on who is interviewed.)

   b. What are their prospects for finding employment?

c. What are they doing to try to make sure they can find a suitable job?

_____

_____

_____

_____

Task 2: Gathering Gloom for Some Workers

By the end of 1981, unemployment had replaced inflation as the number one economic concern of U.S. citizens. Looking at Figure 7-4 below provides some evidence of why that was true.

Using the information in Figure 7-4, answer the following questions.

1. What was the approximate rate of unemployment in:

   January 1981 (7.4%)

   September 1981 (7.5%)

2. What month had the lowest unemployment rate? (July (7%)

3. What was the trend in the unemployment rate between July and December of 1981? (Going up: 7% to 8.4%)

4. Using news reports, or other data, what is the:

   a. current rate of unemployment? (Answer depends on current information.)

   b. current trend of unemployment rate? _____

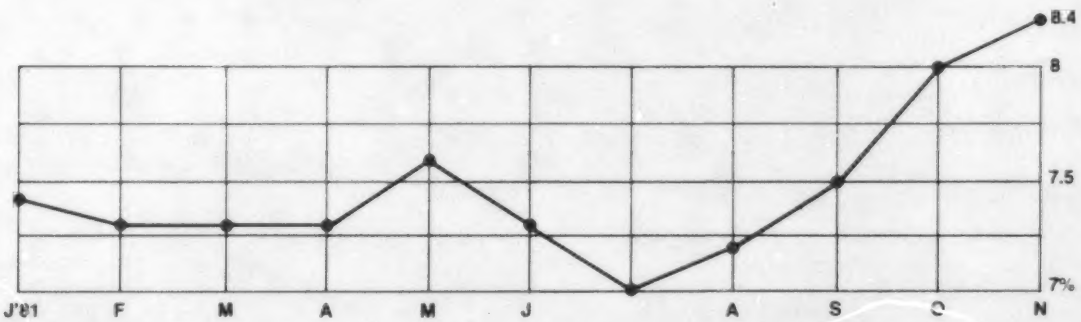
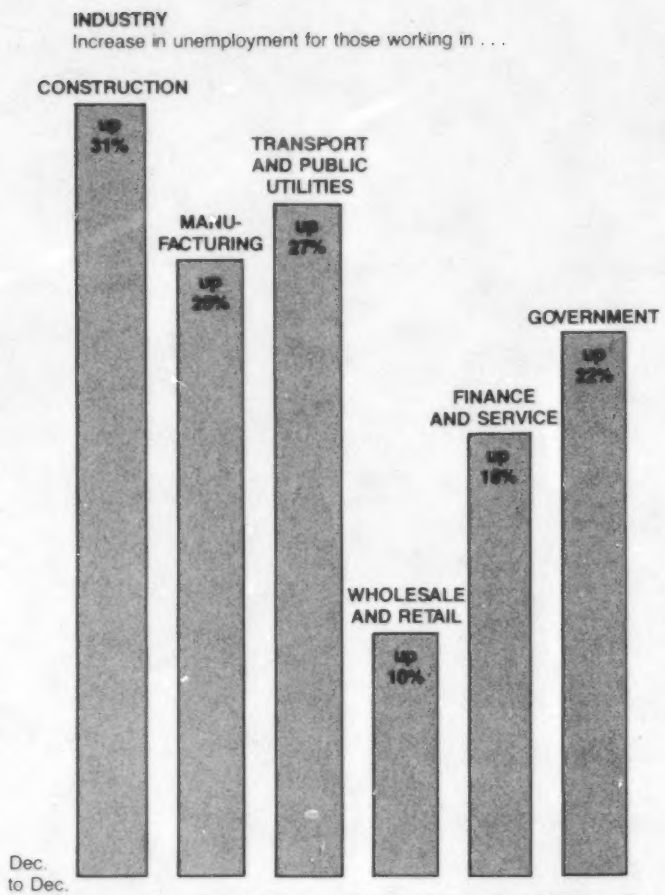


Figure 7-4 Unemployment as a Percent of Civilian Labor Force: January-December 1981



Dec. to Dec.	CONSTRUCTION	MANU-FACTURING	TRANSPORT AND PUBLIC UTILITIES	WHOLESALE AND RETAIL	FINANCE AND SERVICE	GOVERNMENT
1981	18.1	11.0	6.2	9.1	6.5	5.0
1980	13.8	8.8	4.9	8.3	5.5	4.1

Source: *Time*, Feb. 8, 1982.

Figure 7-5 Increase in Unemployment for Industrial Workers

5. The unemployment rate in December of 1981 was particularly high in two industries—construction and automobiles. In December, 18.1% of construction workers were unemployed and joblessness among automobile workers was 21.7%. Look at Figure 7-5 and answer the questions that follow.

   a. Which industry or group experienced the highest percentage increase in unemployment during 1981 _____ ? (Construction workers, from 13.8% in 1980 to 18.1% in 1981.)

   b. What percent of government workers were unemployed in December 1980? (4.1%) December 1981? (5.0%) ?

      This increase represents a (22%) percent increase in unemployment.

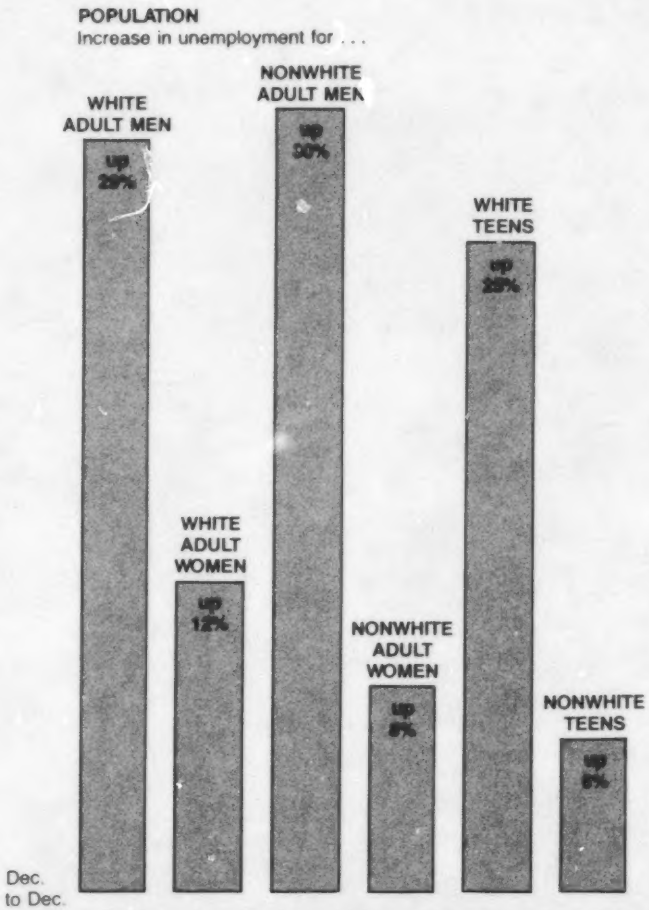
c. What are the major industries in your community? (Answers depend on local community.)

_____

_____

_____

Looking at the figures for unemployment by industry, would you expect that your community's unemployment rate would have been higher or lower than the national average of 8.9% during December of 1981? _____



Dec. to Dec.						
1981	7.1	6.6	15.1	13.3	19.3	39.6
1980	5.5	5.9	11.6	12.3	15.4	37.5

Source: *Time*, Feb. 8, 1982.

Figure 7-6 Increase in Unemployment for Population: 1980 to 1981

6. In the examples under Task 1 above, Betty Jane Smith and Bob Taggart have similar problems. They are young and looking for jobs. Look at Figure 7-6 and answer the questions that follow.

   a. What was the unemployment rate for:

      1) White teenagers in December of 1980? (15.4%)

         December 1981? (19.3%)

      2) Nonwhite teenagers in December of 1980? (37.5%)

         December of 1981? (39.6%)

   b. From watching TV, listening to the radio, and reading newspapers and magazines, list three reasons why the unemployment rate is so high among young workers?

      (1) (Possible answers include: Many young people lack work experience and have a low level of job skills; minimum wage discourages some employers from hiring young workers; possible condition of economy, youths not always able to go to where jobs are.)

      (2)

      (3)

   c. Looking at the data in Figure 7-6, and your answer to question *b*, why do you think the unemployment rate for nonwhite teenagers is over twice as high as for white teenagers?

      (Possible answers include: Blacks and other nonwhites are faced with same problems as white teenagers, but also face possible discrimination based on race; many are located in inner-cities where general unemployment is also high.)

   d. List some ways that you can prepare yourself for your first full-time job.

      (Possible answers include: develop basic skills of reading, writing, and math; get work experience so you will have good references; seek job training; improve your level of education; seek professional help in finding a job suited to your skills.)

Our Economic System and Your Part In It

CHAPTER 8

ORGANIZER

Our way of life has been influenced by many people, past and present. The following was adapted from Ralph Linton's book *The Study of Man*. It shows the extent to which the way of life of Mary Manogian, an American high school senior, results from exchange of ideas between people.

> Mary awakens in a bed built on a pattern which was first made in northern Europe. She throws back covers made from cotton, first grown in India. The cotton was spun and woven using processes invented in the Near East. She slips into her moccasins, invented by the Indians in the Eastern woodlands of the U.S. She goes into the bathroom whose fixtures are a mixture of European and American inventions. She takes off her pajamas, a garment invented in India, and washes with soap invented by the ancient Gauls.
>
> Returning to the bedroom, she removes her clothes from a chair of southern European design and proceeds to dress. She puts on her new designer jeans whose form originally derived from the skin clothing of the nomads of the steppe lands of Asia. Her shoes were made from skins tanned by a process invented in ancient Egypt, with soles made of rubber discovered by Central American Indians. Before going to breakfast, she glances through the window, made of glass invented in Egypt, and picks up her coins, an ancient Lydian invention.
>
> She usually begins her breakfast with an orange, first grown in the eastern Mediterranean, a cantaloupe from Persia, or perhaps a piece of African watermelon. After her fruit she makes a waffle, using a Scandinavian technique made from wheat first cultivated in Asia Minor. Over the waffle she pours maple syrup invented by the Indians of the eastern woodlands. As a side dish she may have the eggs of a species of bird first domesticated in Indochina.
>
> Picking up the newspaper and glancing at the headlines, imprinted in characters invented in Germany, she reads the accounts of all the troubles around the world. She thanks a Hebrew diety in an Indo-European language that she is 100 percent American!

With the exception of the native American who came to the New World some 10 to 12 thousand years ago, the U.S. is a country of imigrants. Why did your family come to the U.S.? The reasons vary from family to family: Some came in search of religious freedom; some came seeking a better way of life; some were forced out of their own countries by famine; some were forced to come against their own wishes; some because of war or persecution. Regardless of the reason, each new wave of immigrants added to our culture.

ACTIVITY 1: Cultural Diversity in the U.S.

The book *Roots* by Alex Haley traces the history of his black American family in the U.S. back to the village of Juffure, Gambia in Africa. For some American families the ties to other countries have been erased by time. For new arrivals the ties are much closer—language, members of the immediate family, friends in another country are part of the immediate past. Looking at your own family and community, answer the following questions:

1. What nationality or ethnic groups live in your community?

(Note that this activity is an ideal one for involving parents. Answers to the above questions will depend on local community.)

2. What are some examples of how your community has been influenced by the variety of ethnic groups in our country?

(Answers will depend on local community. Encourage students to share answers and to explore the issue of diversity in their communities.)

3. If possible, interview or invite a new immigrant to visit your class to discuss:

   (1) Why they immigrated to the U.S.

(2) What are their hopes and goals for their new life in the U.S.?

_____

_____

_____

_____

ACTIVITY 2: Defining Economic Goals

Although the people in the United States came from various backgrounds, we have many goals in common. Most of the people believe in freedom—freedom to own property; freedom to save, spend and invest our resources as we see fit; and freedom of the press. Most of the people want their children to have the opportunity to receive a good education. People expect that if they have skills and are willing to work hard, they can make a good life for themselves and their families. We don't all define the good life in the same way but it often includes a house, an opportunity to get a good education, a car, health care, and security in old age.

1. As an important member of our economy, what are some personal goals that you have for yourself and your family?

(If students are willing, let them share their own personal goals. No answers are correct or incorrect.)

Task 1: Conflicting Goals

Most Americans believe that the sick, the poor, and the elderly should be cared for. Most Americans also want to see the economy grow. These two values, economic justice and economic growth, can sometimes be in conflict. The example below shows these two goals can be in conflict.

Desire for Economic Justice	Desire for Economic Growth
Have the government provide a guaranteed annual income for the poor, the sick, and the elderly.	If the government taxes on businesses and workers are too high, businesses will not have enough funds to invest and expand. Workers may lose their incentive to work.

Clearly, in our country, it is generally agreed that we should not overlook the desire for economic justice for the poor, the ill, and the elderly, but many people also recognize the need for economic growth. Seeking economic policies that provide the right balance between the desire for economic justice and economic growth is a continuing challenge. In a short essay, explain why preserving a free press, freedom of speech, and free elections are the best method for ensuring that our beliefs will be expressed in social policies.

(Student responses will vary.)

2. In the following examples we will be looking at how goals may sometimes be in conflict.

Desire for Freedom	**Desire for Justice**
Military service should be voluntary with salaries high enough to attract adequate enlistment.	The volunteer army puts an undue burden on the poor. Military service should be a responsibility of every young person.
Desire for Growth	**Desire for Justice**
Freeways should be built around cities to improve the traffic flow in the community.	The business men and women who own motels, gas stations, and restaurants along the old road may be hurt by the change.
Desire for Stability	**Desire for Freedom**
Wages and prices should be controlled to prevent inflation.	Decisions should be made freely by consumers, business men and women, workers in the market place.
Desire for Security	**Desire for Efficiency**
Restrict the number of new cars imported into the U.S. to protect the automobile industry.	Free trade leads to a more efficient use of productive resources and lowers prices.

Figure 8-1 Goals in Conflict

Task 2: The American Creed

In 1917 William Tyler Page's "The American Creed"* was selected as "the best summary of the political faith of America." Mr. Page wrote:

> "I believe in the United States of America as a government of the people, by the people, for the people; whose just powers are derived from the consent of the governed; a democracy in a Republic; a sovereign Nation of many sovereign States; a perfect Union, one and inseparable; established upon those principles of freedom, equality, justice, and humanity for which American patriots sacrificed their lives and fortunes.
>
> "I therefore believe it is my duty to my country to love it; to support its Constitution; to obey its laws; to respect its flag; and to defend it against all enemies."

The Creed contains phrases from several sources including the U.S. Constitution, the Declaration of Independence, and famous speeches.

In a short essay write a statement which you feel best expresses the economic goals of America.

(Encourage students to share their responses.)

ACTIVITY 3: Meeting Our Economic Challenges

On July 4, 1976, the United States celebrated it's 200th birthday. The bicentennial was celebrated in parades, fireworks, and speeches across our land. Each year we celebrate our day of independence by looking back into our history. As a country we have

*A creed is a statement of belief, principles, or opinions on any subject.

always faced challenges. The Revolutionary War was fought to establish our independence. The Civil War was fought to preserve our Union. The depression of the 1930s was a time of severe test—many businesses failed and large numbers of our people were unemployed.

As families and individuals, our people have also faced challenges. Let's look at a few examples: the immigrant family members that saved and sacrificed so that a child or children could attend college; the mother who was left alone to support and raise a family; or the father who lost his job—these are only a few of the many challenges.

During the late 1970s the number one economic concern of the U.S. citizen was inflation. With inflation rates during the 1970s that ranged between a low of 3.3% in 1972 and a high of 11.3% in 1979, people became increasingly concerned about the value of our money. The poor and the elderly on fixed incomes were hit hardest by the high inflation rates. By the end of 1981 and early 1982 unemployment had replaced inflation as the major economic concern of the American people. The 1981 inflation rate was still high at 8.9% but down from the 12.4% in 1980. However, unemployment in December of 1981 had reached 8.9%. While over 97 million people were working, approximately 9.5 million workers were unemployed.

> **Note:** Unemployment is a world problem. In December, 1981 the unemployment rate for selected countries was: Canada 8.6%, Italy 9.1, Great Britain and France 8.7, West Germany 7.3, Northern Ireland 12.7.

Task 1: Current Economic Concerns

In talking with your friends and family, reading current newspapers and magazines, and listening to the radio, complete the following chart.

Looking at your completed chart, you may find that the concerns vary for the individual, the family, and the nation, depending on individual circumstances.

Task 2: Challenges Our Economy Will Face

Following are five challenges that our economy will continue to face in the last two decades of the twentieth century and as we move into the twenty-first century.

- Developing our human resources. (Human resources include the physical and mental skills of our people.)
- Expanding our economy and at the same time protecting our environment.

Current Economic Concerns

Describe the Major Economic Concern	Source of Data

1. For you:
2. For your family:
3. For the nation:
   a. National Problems: In your opinion, what is the most important problem facing your country today? Check *one*.
      High cost of living—food ____
      Unemployment ____
      No satisfaction in government ____
      Crime ____
      Food shortage ____
      Energy crisis ____
      Racism ____

   b. Women's Role:
      In jobs: Do you feel that women in your country have equal job opportunities with men?
      Yes ____
      No ____
      Don't know ____
      In education: Do you feel that women in your country have equal opportunity with men?
      Yes ____
      No ____
      Don't know ____

   c. Is Life Improving?
      Generally speaking, do you think that living conditions for people like yourself in this country are better or worse than they were five years ago?
      Better ____
      Worse ____
      Same ____
      Be prepared to discuss your answers to a, b, and c above.

- Providing the money to meet the capital needs in our economy. (Capital resources include the tools and machines needed to make products.)
- Providing energy resources for the future.

- Stabilizing prices and providing employment opportunities for our people.

In meeting these challenges, we will also need to keep in mind our goals of economic freedom, economic efficiency, and growth and stability.

In a short essay, identify one of the above and describe why you think it is a key to meeting challenges faced by our economic system as we move into the twenty-first century.

(Answer will depend on the students' own analysis. Encourage students to share their responses.)

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